



Annual Report 2009-2010

Northern Victoria
Irrigation Renewal Project
NVIRP
waterforgrowth

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Minister for Water

The State Owned Enterprise for Irrigation Modernisation in Northern Victoria, trading as Northern Victoria Irrigation Renewal Project (NVIRP), reports to the Victorian Minister for Water. NVIRP is both the name of the project and the organisation tasked with renewing and modernising the irrigation system in northern Victoria.

The Hon. Tim Holding was appointed Minister for Water in August 2007.

Mission

To deliver a modernised irrigation system and generate an estimated 225 gigalitres (GL) of long-term average annual water savings that will help secure the economic, social and environmental future of northern Victoria.

Vision

To have successfully:

- Implemented water distribution and delivery efficiency improvements in generating an estimated 225 GL of long term average annual water savings by 2013-14 for sharing equally between irrigators, the environment and Melbourne within the agreed budget of \$1.004 billion.
- Delivered an improved standard and efficiency of water delivery service with modernised connections.
- Provided a catalyst for economic development and productivity within the region.

By June 2010 to have successfully:

- contributed to the 75 GL of saved water to be made available to Melbourne.

What We Value

Environment - We will strive to retain and maintain healthy flora and fauna during the course of the project and once the works are complete.

Community Consultation - The importance of listening to people and improving the community's input in the planning, design and eventual sharing in the benefits of a modernised irrigation system.

Honesty, Integrity and Transparency - Integrity, credibility and respect for the community, stakeholders and our colleagues. We will operate with honesty, openness and transparency during the life of the project.

Teamwork and Professionalism - We believe that success comes through recognising the value of our staff and encouraging that value through professional and personal development.

Sustainability - We recognise our responsibilities to future generations.

Skills - We will have the right people with the right skills at the right time.

Goal Orientated - We are caring, progressive, enjoy our work and use a positive spirit to achieve our goals.

Continuous Improvement and Innovation - We take pride in our work and actively seek improvement through innovation.

Stakeholder Involvement - The integral role of our external stakeholders in this project is acknowledged and we will endeavour to build and maintain strong relationships.

Safety - We value the health, safety and wellbeing of both our staff and those involved in the delivery of the project.

Efficiency and Productivity - We strive for efficiency and productivity in the execution of our work.

Message from the Chairman



Throughout the life of this project we will engage with every irrigator in the Goulburn Murray Irrigation District to provide for their most efficient water delivery needs in the most sustainable and efficient way. This is a huge task and our staff and contractors are approaching the modernisation systematically, channel by channel, matching consultation with potential engineering works.

This has been an exceedingly busy year for staff and contractors as the project progresses to complete the designed automation of the major channel delivery (backbone) system. Working through the five irrigation districts, our staff and contracted farm irrigation designers have been in consultation with over 3 000 of the region's landowners. Agreements have been reached to upgrade backbone meters or connect landowners directly to a backbone channel.

The independent auditor confirmed our 2008-09 water savings at 28.2 GL against our business case expectations of 4 GL.

Meeting all of the environmental requirements for both Victorian and Commonwealth legislation has required a very dedicated effort. Doing so has ensured NVIRP continues to protect the region's valued wetlands and waterways in the region in a considered and strategic manner.

We have continued to ensure that our activities, performance and progress are reported in a transparent manner and we particularly appreciate the interest and enquiry shown in our operations by the northern Victoria media and communities. It is commendable that a project this size and working over so many individual sites

from its commencement, accumulated 570 000 construction hours before we recently incurred our first lost time injury, from which the worker has fully recovered and has returned to normal duties. We appreciate the vigilance and emphasis on workplace safety shown by our Managing Contractor and many work package contractors.

Considerable national and overseas interest is being shown in this irrigation upgrade. Tours and forums explaining the modernisation project have been held for delegations from the United States, China, Vietnam, Pakistan, India and Morocco.

During the year fellow Director Terry Francis completed his term of office and chose not to seek reappointment. He was an inaugural member of our skills based Board and Chair of our Audit and Risk Committee. I would like to thank him for his contribution and guidance through his time on this Board and committee. The Government following Terry Francis's departure, appointed on 7 July 2010 a replacement Director and I welcome our newest member Fiona Park to the NVIRP Board.

The Board has worked closely with our Chief Executive Officer Murray Smith and his executive team and on behalf of the Board I would like to thank them all for their commitment and energy to the project. In recent months this team has also developed and presented the Business Case for Stage 2 to the Commonwealth Government, and we await an announcement in relation to the funding for this stage of the project.

NVIRP staff have also developed close working relationships with Goulburn-Murray Water (G-MW), the North Central and Goulburn Broken catchment management authorities, the Department of Sustainability and Environment (DSE) and the Department of Primary Industries (DPI). This cooperative effort has assisted us with our progress,

especially as we have headed toward Stage 2 of the project.

Implementing this project remains a major catalyst for employment and work opportunities in northern Victoria, largely through our civil construction works. Most towns throughout the region are benefitting with the provision of manpower, plant and materials as well as essential supplies for these contractors.

We are in times of major water reform and like communities throughout the Basin we await the Murray Darling Basin Authority's Sustainable Diversion Limits draft issues paper due out very soon.

I thank my fellow Directors who have provided valuable counsel throughout the year – their contribution is extremely important as we deliver Australia's largest ever irrigation modernisation project.

We continue to remind ourselves that when completed, this modernisation project will provide a more efficient and affordable irrigation delivery network with an improved level of water delivery service to landowners, increasing their on-farm productivity and profitability, I am pleased to report at this time we are on budget and on time to deliver this vision.

Richard Guy OAM
Chairman

Board of Directors

1. Richard Guy OAM (Chair)

Richard has significant board leadership experience, having chaired the Bendigo Bank Board for nearly 20 years through a period of rapid growth including conversion to bank status in 1995. He retired from this board in 2006. Richard plays a prominent role in community and charitable organisations and is also a Director of Bendigo Mining Limited and government representative on the Council of LaTrobe University.

2. Barry Steggall

Barry is experienced in Victorian government policies as he was formerly State Deputy Leader of the National Party and Member of parliament for Swan Hill from 1983 to 2002. He specialised in water, environment and food issues during his Parliamentary career. Barry is also a Board Member of Cooperative Schools Victoria, the Victorian Water Trust Advisory Council and Victoria's Independent Panel for Sustainable Water Strategies.

3. Geoff Akers

Geoff is experienced in representing farmer interests, as he was formerly Chair of the Victorian Farmers Federation Water Council and Murray Dairy. He is a dairy farmer at Tallygaroopna, milking 500 cows. He has a strong interest in research and development and holds a Bachelor of Applied Science and Advanced Diploma of Agriculture. Geoff was also a member of the Food Bowl Modernisation Project Steering Committee.

4. Miranda Douglas-Crane

Miranda has considerable executive experience, gained through senior positions she has held in both the public and private sectors. Miranda previously served on the boards of Intelematics Pty Ltd and Douta Galla Aged Care and was a member of the Ministerial Council on Rail Freight and the Fred Hollows Committee (Victoria). She is a Director of Austin Health and Consultant on the RACV Community Foundation Committee.

5. Peter McCamish

Peter has significant knowledge of the Goulburn Valley horticultural industry, as he has been part of this industry for 34 years. He is also a Director of SD Reid Holdings, a

Tasmanian cherry grower and exporter. Peter is a current Director of Water for Rivers, former Director of SPC Ardmona Limited and former member of the Shepparton Irrigation Implementation Committee and Food Bowl Modernisation Project Steering Committee.

6. Neil Brennan

Neil has extensive Victorian water industry experience, having worked in the industry for 25 years and held various ministerial appointments on industry committees. For the past 10 years he has been Managing Director of Central Highlands Water Corporation. Neil has also held CEO positions at the Western Water and Macedon Region Water Authorities and is on the Board of the Electricity and Water Ombudsman Scheme Victoria.

7. Terry Francis

Terry's roles have provided him with national and international experience in infrastructure and road engineering, project management and corporate banking. He was an inaugural Board Member and completed his term of appointment in January 2010. Terry is also a Director of the Emergency Services Telecommunications Authority, ANZ Specialist Assets Management, ANZ Business Equity Fund, RMIT University and Boom Logistics Limited.

Chief Executive Officer Report



With the completion of our 2010 winter works over 2 500 regulator gates will have been installed, approximately 60 kilometres of channel lined and 2 090 new accurate on-farm meters installed.

We are progressing well in connecting irrigators currently supplied from the smaller spur channels to the modernised backbone, where they can be guaranteed higher levels of service.

A key objective of NVIRP is to ensure that the modernised system we leave behind remains affordable to its customers. In this regard it is pleasing to see the Business Case target of rationalising regulator gates likely to be exceeded, consequently further reducing system operating costs.

For the landowner this is a changing environment, but with change comes opportunities and it is heartening to see the high number of landholders wishing to participate now in the Connections program. We now have over 800 active business cases for farm connections.

However, I do appreciate that at the same time it is causing additional landholder concerns for those we have not yet been

able to service. Along with our farm irrigation designers we will engage with all landholders – we just ask for patience until we can get to discuss each individual requirement.

The Commonwealth Government's announcement of delivery partners for the On-Farm Irrigation Efficiency Program has seen the consortium bid led by the Goulburn Broken Catchment Management Authority (GB CMA) receive funding. This will allow more irrigators to leverage off our Connections Program to implement systems on-farm that optimise the additional functionality provided by the modernised delivery system.

In 2009 we referred the project to the Victorian Minister for Planning to determine if an Environment Effects Statement (EES) was required for the project under the Victorian Environment Effects Act 1978. The Minister determined that an EES was not required on the basis of meeting six conditions including the development of environmental management processes. This information is available on our website. These environmental management processes have been reviewed by an independent expert panel to ensure that they are transparent and protect the environment.

Our project was referred to the Federal Minister for Environment Protection under the *Environment Protection and Biodiversity Conservation Act 1999* on the 5 October 2009 and received advice that the proposed action, being the modified operation of the fully modernised Goulburn Murray Irrigation District, was a Controlled Action to be assessed via a Public Environment Report (PER).

NVIRP completed a PER in accordance with the guidelines issued by the Department of Environment, Water, Heritage and the Arts (DEWHA) and received advice from the minister that the project was approved subject to a range of conditions that we are diligently complying with.

We are also thoroughly working through these environmental management processes to ensure that the completed project has no negative impacts on the environment. Our Environmental Watering Plans are in place to protect sites of high environmental value and where incidental irrigation water provides beneficial effects.

Along with the care we are taking as we upgrade the system, Stage 1 is projected to return up to 75 gegalitres (75 billion litres) on

an annual long term average to rivers and wetlands including the Murray River and Ramsar listed wetlands, delivering the water at the right times for the best environmental outcomes.

Our Stage 2 Business Case has now been referred to the Commonwealth Government DEWHA and we are awaiting approval.

Consultation with stakeholders of the Goulburn Murray Irrigation District (GMID) remains a fundamental component of the modernisation program and regular meetings and forums have been held in the five regions over the past 12 months. We also appreciate the community Modernisation Consultative Committees who continue to play a lead role in shaping the delivery of the program of works.

Finally I acknowledge the well considered direction provided by our Board and the support provided by our key partnering organisations in delivering this project within very challenging timelines. These include G-MW and other water authorities, DSE, the Department of Treasury and Finance, Goulburn Broken and North Central catchment management authorities, DPI and local government. However our staff remain our core asset and it is their tireless collective efforts that see NVIRP well positioned to deliver on all targets.

A handwritten signature in black ink, appearing to read 'Murray Smith', written over a light blue horizontal line.

Murray Smith
CEO

History and Profile

Ongoing low rainfall across Victoria continues to have a severe adverse impact on water flowing into rivers and water storages, resulting in:

- cutbacks in allocations to irrigators
- water restrictions
- reductions in environmental flows.

To address this adverse impact in 2004 the Victorian Government formulated a long-term plan for water – *Our Water Our Future*. In June 2007 the Victorian Government announced *Our Water Our Future – The Next Stage of the Government’s Water Plan*, which described \$4.9 billion of investment in major water infrastructure projects.

On 20 December 2007, the State Owned Enterprise for Irrigation Modernisation in Northern Victoria was established to implement one of the key elements of the above Water Plan. NVIRP’s function is to plan, design and deliver the program for modernising the GMID system which covers 65,000km², of which 58,500km² comprises the NVIRP area.

The State Owned Enterprise for Irrigation Modernisation in Northern Victoria, trading as Northern Victoria Irrigation Renewal Project (NVIRP) is a State Body established under the State Owned Enterprise Act 1992 by an Order in Council (Order) dated 20 December 2007. The functions, powers and duties of NVIRP are set out in the Order.

The core objective of our business is to plan, design and deliver the Foodbowl Modernisation Program for modernising the Goulburn and Murray irrigation systems (the Program). Meeting that objective will require NVIRP to have successfully:

- implemented water distribution and delivery efficiency improvements in generating an estimated average of 225 GL of annual water savings by 2013-14 for sharing equally between irrigators, environment and urban water users within the agreed budget of \$1.004 billion
- delivered an improved standard and efficiency of a water delivery service with modernised connections
- provided a catalyst for economic development and productivity within the region.

As documented in this Annual Report considerable effort towards achieving the Government’s objectives for the program has been already made including completion of the 2008, 2009 and 2010 Winter Works Programs. A summary of our progress to date is provided further in this report under ‘Project planning at a glance’.



Goulburn Murray Irrigation District

“The big flows that are now delivered have certainly reduced the amount of water and time needed for each irrigation... another positive we can see is the injection of funds into the area with people employed to do earthworks and installation”

Col Hay, Cohuna Dairy Farmer



Plastic Lining Murray Valley no. 7/2 channel, Mywee

Project Planning at a Glance

The Northern Victoria Irrigation Renewal Project (NVIRP) is a state-owned entity responsible for planning, designing and delivering Australia’s largest irrigation renewal project, which is taking place in the Goulburn Murray Irrigation District, Victoria.

This \$2 billion investment in regional Victoria aims to deliver a modernised irrigation system and generate an estimated 425 GL of long-term average annual water savings that will help secure the economic, social and environmental future of northern Victoria.

Stage 1 is being funded by the Victorian Government (\$600M), Melbourne Water (\$300M) and Goulburn-Murray Water (\$100M). The Commonwealth Government has agreed to fund Stage 2 up to an amount \$1 billion and we await an announcement in relation to the funding for this stage of the project.

NVIRP’s Stage 1 project objectives, current progress and associated relevant sections of this report are outlined in the following table.

Stage One Objective	Current Progress	Refer Sections
Generate water savings		
Achieve 225 GL of Long Term Cap Equivalent (LTCE) annual water savings to be shared equally between irrigators, urban water users and the environment	<ul style="list-style-type: none"> An independent audit confirmed water savings of 28.2 GL in 2008-2009 	Water Savings page 18
Achieve budget		
Deliver the project within the agreed budget of \$1.004 billion	<ul style="list-style-type: none"> NVIRP has met all budgetary requirements for 2009-10 Project expenditure increased significantly with 2009-10 being the first full year of project works delivered by NVIRP. The project continues to operate within budget and all financial reporting requirements have been met 	Financial Summary page 28 Current year financial review page 29
Deliver on Schedule		
Complete on-ground works by 2012/13 with resulting final water savings confirmed in 2013-14	Construction is progressing well. Scope of works targets for 2009-10 are outlined in detail within this report	Design and Construction page 17
Meet modernisation objectives		
<ul style="list-style-type: none"> Improve water service delivery Increase (GMID) productivity, profitability and water use efficiency Deliver a financially viable irrigation system that is affordable to operate 	Irrigators connected to the backbone channel system are experiencing: <ul style="list-style-type: none"> increased water distribution efficiency improved flow onto farms from an automated system and new meters 	Connections Program page 16 Design Outcomes page 16
Environmental sustainability and compliance		
<ul style="list-style-type: none"> Improve the health of northern Victorian rivers, floodplains and wetlands Provide up to 75GL (LTCE) of environmental water entitlements Reduce the environmental footprint of the irrigation system 	<ul style="list-style-type: none"> NVIRP has prepared an Environmental Management Plan, Construction Environmental Management Framework and Water Change Management Framework Received approval for nine Environmental Watering Plans for high value wetlands and three Environmental Watering Plans for high value streams 	Environment page 9
Contribute to regional development		
<ul style="list-style-type: none"> Improve regional productivity and growth in value adding industries Minimise social disruption through coordinated government approach Secure a sustainable future in the context of reduced water availability and climate change 	<ul style="list-style-type: none"> On-farm investment is leveraging off the modernised system and connections incentives The Campaspe community are leading an Irrigation District Management Strategy The region is attracting further research and extension investment 	Connections Program page 16 Consultation page 12 Water Savings page 18

Planning Compliance

Planning scheme approval

NVIRP received approval from the Victorian Minister for Planning to amend several local government planning schemes, pursuant to Section 20(4) of the Planning and Environment Act 1987. The amendment involved including an Incorporated Document into Clause 52.03 (Specific Sites and Exclusions) of each scheme to streamline planning approvals and ensure

the timely and coordinated planning approval of Stage 1 works.

The local councils involved were Campaspe, Gannawarra, Greater Bendigo, Greater Shepparton, Loddon, Moira and Swan Hill. Each of these councils provided a letter of support for the proposed amendment. An Agency Liaison Group was also formed to

allow ongoing discussion with these councils and other relevant government agencies throughout the project.

The Planning Scheme Amendment was approved by the Victorian Minister for Planning and gazetted on 25 May 2009.

Environment

Environment Effects Act 1978

On 14 April 2009 NVIRP received a determination from the Commonwealth Minister for Planning that the project did not require an Environmental Effects Statement under the *Environment Effect Act 1978*, subject to six conditions. A summary of NVIRP's progress in complying with these conditions is provided below.

Condition One: Environmental Management Framework

NVIRP was required to prepare a Construction-Environmental Management Framework prior to commencing any capital works involving either the removal of native vegetation or direct construction impacts on wetlands or natural waterways.

The framework needed to incorporate a statement of commitment or performance requirements; strategies for assessing potential impacts on flora and fauna and a framework for managing impacts and accountabilities including strategies and plans.

NVIRP developed a framework which was approved by the Victorian Minister for Planning on 29 May 2009, in consultation with the Victorian Minister for Environment and Climate Change. Subsequent improvements have been made to the framework and have been approved in accordance with Condition One.

Condition Two: Expert Review Panel

An Expert Review Panel was to be formed to provide advice on hydrological and related ecological changes due to the implementation of NVIRP, with the membership and terms of reference to be endorsed by the Commonwealth Minister for Environment and Climate Change.

A panel was formed and meets regularly to review and provide advice to the Victorian Minister for Water and Secretary of the DSE on reports prepared by NVIRP. The endorsed members are Mr Denis Flett (Chairperson), Dr Terry Hillman and Dr Jane Roberts. The group also comprises Expert Review Panel Executive Officer, Carla Evans.

This year the panel has been responsible for reviewing and providing guidance and feedback on NVIRP's Environmental Watering Plans and the Water Change Management Framework. They have also provided extensive support in compiling the Public Environmental Report, a document

comprising well over 4000 pages and we acknowledge their timeless efforts.

Condition Three: Environmental Framework for Water Management

NVIRP was required to prepare a framework for the protection of aquatic and riparian ecological values through the management of water allocations and flows within the modified GMID system.

In response to this request, NVIRP developed a Water Change Management Framework to describe protection and management measures. The framework outlines processes and methodologies for assessing potential ecological risks to wetlands, waterways and groundwater dependent ecosystems caused by hydrological changes associated with NVIRP.

The framework was prepared to the satisfaction of the Victorian Minister for Water following advice from the Expert Review Panel and in consultation with the Victorian Minister for Environment and Climate Change and approved on 14 August 2009.

Condition Four: Ecological Assessment Report

An ecological assessment report is being prepared to describe the ecological consequences of hydrological changes arising from NVIRP for the Murray River, Goulburn River and Barmah Forest Ramsar Site.

The report will be submitted to the Secretary of the DSE before December 2010 or as directed by the Victorian Minister for Planning.

Condition Five: Environmental Watering Plans

Environmental Watering Plans are required for at risk waterways and wetlands prior to modified irrigation infrastructure being operated near these sites. The plans are to be approved by the Victorian Minister for Water following advice from the Expert Review Panel. Plans affecting matters of national environmental significance also require Commonwealth approval.

Environmental Watering Plans help determine the environment's dependence on irrigation outfall water and mitigate potential impacts associated with NVIRP. They support the achievement of no net environmental loss through cooperation

between land, water and catchment managers. Each plan:

- identifies environmental values of the wetland
- identifies water required to protect the environmental values
- defines the environmental watering regime and water sources
- identifies infrastructure requirements
- provides draft protocols for ongoing water supply
- identifies management responsibilities.

The plans also enable a greater focus to be placed on maintaining significant wetlands through targeted watering.

Environmental watering plans have been prepared for the following high environmental value assets:

Prioritised waterways

- Broken Creek
- Campaspe River
- Loddon River and Twelve Mile Creek

Prioritised wetlands

- Johnson Swamp
- Lake Elizabeth
- Lake Leaghur
- Lake Meran
- Lake Murphy
- Lake Yando
- Little Lake Boort
- McDonald Swamp
- Round Lake

These plans have been approved by the Victorian Minister for Water and Commonwealth Minister for Environment Protection. Further plans may be developed as required for the implementation of future works. NVIRP acknowledges the tremendous effort of the North Central and Goulburn Broken Catchment Management Authorities in preparing environmental watering plans.

Condition Six: Publicly Available Information

Final advice from the Expert Review Panel on the Environmental Framework for Water Management, Ecological Assessment Report and environmental watering plans was to be made publically available. This information is available at www.nvirp.com.au.

Environment

Environment Protection and Biodiversity Conservation Act 1999

NVIRP was requested by the DEWHA to prepare a Public Environment Report (PER) for the assessment and approval of an action that may have an impact upon Matters of National Environmental Significance (MNES) under the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

The proposed action examined in the report is the modified operation of the fully modernised GMID in northern Victoria to be delivered by NVIRP. The controlling provisions under the EPBC Act were determined to be:

- wetlands of international importance (sections 16 and 17B)
- listed threatened species and communities (sections 18 and 18A)
- listed migratory species (sections 20 and 20A).

The PER has been prepared in accordance with guidelines issued by DEWHA on 24 December 2009. The final PER was amended to incorporate relevant comments received during the public consultation period for the draft PER. DEWHA accepted NVIRP's final PER on Friday, 12 March 2010 triggering the assessment period of up to 40 business days for the Commonwealth Minister for Environment Protection, Heritage and the Arts to make a decision on whether or not to approve the action. The action was approved by the Commonwealth Minister on Thursday 13 May 2010.

The approval of this action by the Commonwealth Minister was conditional upon compliance of strict environmental controls. These include the development and approval of Environmental Watering Plans and Commonwealth approval of the Water Change Management Framework.

Environmental Management System (EMS)

NVIRP has developed an Environmental Management System to help identify and assess potential impacts of this project as well as programs and reviews for continual improvement. NVIRP has adopted an EMS that is consistent with ISO 14001:2004.

Environmental Management Plan (EMP)

NVIRP's Environmental Management Plans describe processes for the Managing

Contractor, Transfield Services Australia and govern the management of environmental risks associated with each year's capital works program.

EMPs are prepared with reference to NVIRP's Environmental Management System (EMS), Construction Environmental Management Framework and conditions of approval under the Planning Scheme Amendment, AS/NZS ISO 14001:2004, the DSE and other relevant departments and authorities.

The EMP for the 2009 Capital Works program was approved by the Secretary of the Department of Sustainability and Environment on 29 May 2009. The EMP for the 2010 Capital Works program was approved on 15 April 2010.

Recognising and respecting cultural heritage

NVIRP understands the importance of preserving heritage sites, including recognising and respecting Aboriginal culture and heritage. NVIRP has continued to build on strong relationships with Aboriginal communities located within the GMID.

To assist in the protection of cultural heritage, NVIRP has continued to engage Aboriginal site monitors. These monitors assist in managing the cultural heritage environment in areas where the irrigation upgrade works are taking place and ensure the protection and preservation of any cultural heritage findings such as scar trees, discarded tools and middens.

NVIRP also engaged the Yorta Yorta Nation Aboriginal Corporation (YYNAC) to provide cultural awareness training for NVIRP and Managing Contractor employees, so that they could gain a greater understanding and knowledge of Australian Indigenous culture.

This on-country training provided participants with knowledge and understanding through interactive exercises that covered three key areas: 'traditional life and questions of identity', 'pre and post colonisation', and 'where are we going?'

NVIRP will continue to provide opportunities for employees to participate in cultural awareness training, to build employee knowledge and understanding of Indigenous culture and create a company culture that respects and acknowledges Indigenous heritage, values and beliefs.

"The training was extremely informative and personally I learnt a great deal about the people, culture and issues facing traditional owners both historically and presently. The training highlighted their determination and strength and helped employees better understand how we can work together, now and in the future"

Andrew Otimi, Transfield Services Australia

Flora and fauna protection

Following on from successful projects undertaken in 2009, NVIRP has continued to ensure the protection of native fish and wildlife through a number of initiatives including:

- providing technical training to staff on the appropriate handling, removal and relocation of native and non-native flora and fauna
- engaging wildlife specialists to assist in the relocation of native fish and fauna including Murray River Cod, Trout Cod, Murray River Crayfish, tortoises, yabbies and mussels
- ensuring all fauna is treated humanely and ethically
- complying with all relevant legislation to ensure the humane removal and disposal of non-native flora and fauna. To date, over a tonne of noxious fish species have been removed from the irrigation system
- ensuring that injury or risk to fauna is managed and reported as required
- continuing to prepare and submit verbal and documented reporting to the DEWHA and DSE
- developing and implementing the Native Vegetation Field Guide which assists in the identification of significant indigenous native shrubs and grasses found within the GMID
- implementing an offset management strategy.

Sustainability

During the year NVIRP has continued to minimise the environmental impacts of its operations, particularly through water monitoring and energy consumption, greenhouse emissions and waste.

The following table outlines data relating to administrative functions of NVIRP and Managing Contractor staff for 2009-10. NVIRP's workforce increased significantly in 2009-10, however a reduction in environmental impacts per full-time employee (FTE) was achieved.

Sustainable performance programs will be implemented in 2010-11 to further encourage staff contributions to sustainability, particularly through transport options.

Indicator	Unit	2008-09	2009-10	
Energy				
E1	Total energy usage (including green power)	Megajoules	222 312	838 184
E2	Greenhouse gas emissions associated with energy use	Tonnes CO2-e	75	284
E3	Percentage of electricity purchased as green power	% of total electricity consumption	Nil	Nil
E4	Units of office energy used per (FTE)	Megajoules/FTE	9 666	6 498
E5	Units of office energy used per unit of office space	Megajoules/m ²	330	472
Waste				
Ws1	Total units of office waste disposed of by destination	Kilograms	4 392	9 602
	- landfill		3 120	6 428
	- recycling		1 220	3 174
	- compostable		52	Nil
Ws2	Units of office waste disposed of per FTE	Kilograms	191	119
	- landfill		136	50
	- recycling		53	25
	- compostable		2	Nil
Ws3	Recycling rate	% of total waste	29%	33%
Ws4	Greenhouse gas emissions associated with waste disposal	Tonnes CO2-e	3	7
Paper				
P1	Total units of A4 equivalent copy paper used	Reams	989	2 393
P2	Units of AUD\$ equivalent copy paper used per FTE	Reams/FTE	43	19
P3	Percentage of recycled content of copy paper purchased	%	Nil	74
Water				
W1	Total units of metered water consumed (metered potable water from a town water supply)	Kilolitres	464	345
W2	Units of metered water consumed in office per FTE	Litres/FTE	20	2 676
W3	Units of metered water consumed in office per unit of office space	Litres/m ²	1	194
Transportation				
T1	Total energy consumption segmented by vehicle type	Megajoules	442	4 225
	- unleaded		405	1 812
	- diesel		37	1 110
	- lpg		Nil	1 303
T2	Total vehicle travel associated with entity operations segmented by vehicle type	Kilometres	383 093	1 172 436
	- unleaded		350 054	557 672
	- diesel		33 039	255 407
	- lpg		Nil	359 357
T3	Total greenhouse gas emissions from vehicle fleet segmented by vehicle type	Tonnes CO2-e	43	296
	- unleaded		40	140
	- diesel		3	77
	- lpg		Nil	78
T4	Greenhouse gas emissions from vehicle fleet per 1,000km segmented by vehicle type	Tonnes CO2-e/1,000km	0.043	0.30
	- unleaded		0.040	0.14
	- diesel		0.003	0.08
	- lpg		Nil	0.08
T5	Total distance travelled by air	Kilometres	5 210	40 335
T6	Employees regularly (>75% of work attendance days) using public transport, cycling, walking or car pooling to and from work or working from home by locality type (regional area).	% of total employees	Nil	7%

Consultation

Ongoing public consultation

NVIRP has conducted a high level of public consultation with communities throughout the GMID and kept all stakeholders informed of the project's progress and developments. NVIRP continues to inform the broader community about this world-first project which is setting a worldwide benchmark for large scale irrigation system enhancement.

There are multiple ways in which NVIRP has engaged with landowners, the broader community and other stakeholders.

Bus tours

NVIRP has conducted regular bus tours to allow community members to see the extent of the modernisation works for themselves. This financial year between one and six tours were conducted per month. Community members were notified of available tours through public advertising, including as a feature of Water Week 2009 and the 2010 Irrigation Expo. Tours were conducted at the request of community groups such as the

Tatura Probus Club and irrigator groups. Tour participants were provided with commentary from an informed guide and shown regulator gate structures, meters and plastic lining at sites including the Central Goulburn Number 9 Channel Kyabram and regulator gates in Tatura and Ardmona.

In addition to tours held for local groups, NVIRP also hosted an extensive range of local and overseas governments and university representatives keen to learn more about the project.

Visitors travelled to Shepparton from all over Australia and have been shown elements of the project along with international visitors from China, India, Japan, Morocco, New Zealand, Pakistan, the United States and Vietnam. International visitors commented on the advanced nature of the irrigation technology that NVIRP is implementing and how they hope to develop similar systems in their home countries. They are also intrigued as to how NVIRP operates with three levels of Government and the techniques to deliver physical works.

“This region is very similar to the east of my home state of Washington and I understand how important the irrigation modernisation project is to securing the region's and Victoria's food productivity.”

Michael E. Thurston, Consul General, US Department of State



Consultation

Committees

NVIRP has established and participates in a wide range of committees, with committee members elected to represent community views and assist in presenting constructive ideas that inform NVIRP's decision-making. These committees are described in further detail on page 15 of this report.

Community forums and meetings

NVIRP regularly holds public meetings and forums throughout the GMID to allow interaction and information sharing between irrigators, community members, staff and contractors. Advertised through print and radio media, these meetings allow irrigators to provide direct feedback on NVIRP works that affect their local area.

These meetings are held in addition to NVIRP's official attendance at field days and community events, usually to inform the community of developments in their area or discuss the progress of NVIRP programs. Examples this year include a series of meetings held to discuss new four per cent exemption rules being managed by NVIRP and gain feedback on NVIRP's Farm Irrigation Assessment programs.

Events and field days

NVIRP engages with irrigators and community members by hosting stands at community events throughout the GMID and beyond. This enables one-on-one communication to occur with NVIRP staff members who have the knowledge to discuss and inform landowners of specific queries and general questions from community members.

Printed information is available from these stands and NVIRP uses maps of the irrigation region to inform community members of developments in their area. Examples of events attended by NVIRP during this financial year include the following:

- Cohuna Austoberfest, Cohuna, 2009
- Elmore Field Days, Elmore, 2009
- Water Week 2009 events at Cobram and Shepparton
- Australian Irrigation Conference, Swan Hill, 2009
- International Dairy Week, Tatura, 2010
- Water Technology Cluster Irrigation Expo, Echuca, 2010
- Victoria's Food Bowl – Open for Business, Melbourne, 2010

“Murray Smith's assistance in explaining modernisation objectives to partnering organisations, expo participants and international visitors contributed highly to the success of the event.”

Wendy Buck, Chairman,
2010 Water Technology Cluster Irrigation Expo



Consultation

Speaking engagements

NVIRP staff members, particularly executive managers and CEO Murray Smith, have made themselves available to attend a variety of speaking engagements on request. These are often conducted concurrently with bus tours of irrigation sites and have ranged from a community gathering in Kerang to a seminar in Melbourne.

It is important for Victorian and Commonwealth Governments to be informed of the project's progress and NVIRP will often host representatives from different departments to explain the nature of irrigation system advancements being implemented in the GMID.

Mail-outs

NVIRP recognises that not every irrigator is able to attend events. As such, important information is often sent via mail and posted on the NVIRP website. In addition, detailed publications such as the *NVIRP Connections Program information for farmers* are sent via mail to enable irrigators, water brokers, accountants and solicitors to remain informed of project developments.

Publications

NVIRP develops publications as a further means of communicating with irrigators and other stakeholders to convey information about the project. Examples of publications produced by NVIRP include brochures and booklets planned to convey both general and detailed project information.

NVIRP fact sheets are used to inform stakeholders of relevant topics. Current fact sheets address topics including:

- Electronic flow meters
- Farm irrigation assessments
- FlumeGates™
- Meter types
- Modernisation
- Rationalisation

The Connections Program information for farmers' booklet was distributed early in 2010 to provide a comprehensive explanation of the Farm Irrigation Assessment process and all associated information relating to the NVIRP Connections Program. This document was distributed to all landowners connected to the irrigation system within the GMID.

Additional publications developed by NVIRP this financial year include a brochure explaining the process of replacing old, inefficient infrastructure with new, state-of-the-art technology.

School talks

NVIRP partnered with the DPI to provide talks and tours for metropolitan schools. Victorian Certificate of Education geography students with an interest in subjects including science and environmental sustainability travelled to the Goulburn Valley to view irrigation upgrades and hear more about the project.

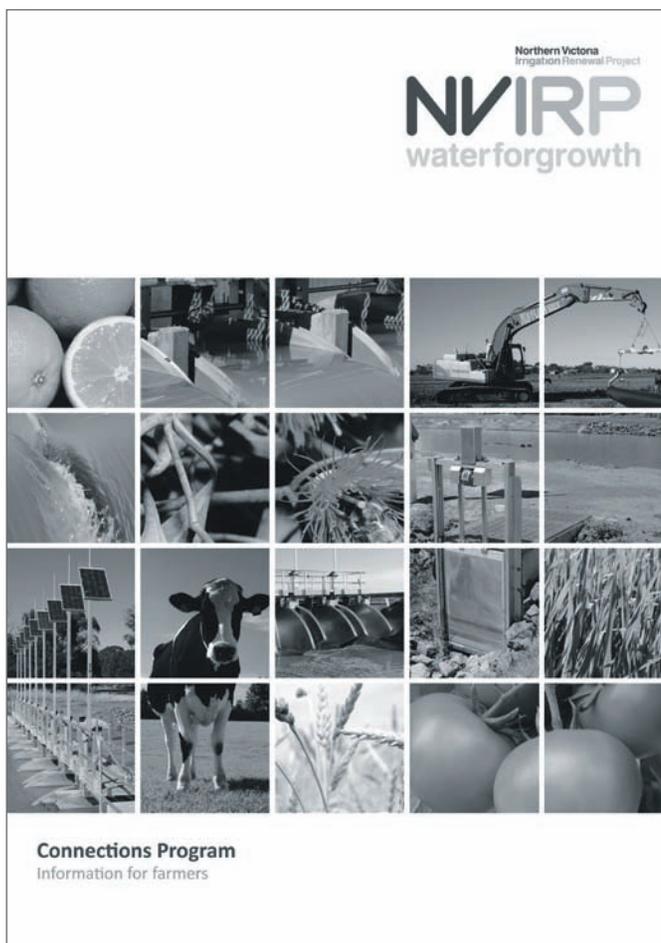
Surveys

As part of the Connections Program Quality Assurance Framework, independent landowner surveys were conducted in September 2009 and March 2010 to assess landowner satisfaction with NVIRP's Farm

Irrigation Assessments. Improvement areas were identified during each survey and improvements are being implemented through NVIRP's Connections Program.

Website

NVIRP's website can be viewed at www.nvirp.com.au and is regularly updated with new information. In addition, a dedicated email address, waterforgrowth@nvirp.com.au and project telephone number 1300 163 006 are available for community members to make queries or provide feedback.



Committees

NVIRP consults with a wide range of committees and advisory groups to inform decision making and understand stakeholder needs. Examples of these groups include those listed below.

Environmental Technical Advisory Committee

NVIRP's Environmental Technical Advisory Committee includes representatives from NVIRP, the DSE, DPI, G-MW, the Goulburn Broken and North Central Catchment Management Authorities and Parks Victoria.

The group meets on a regular basis to provide input into the development and implementation of environmental mitigation measures, such as Environmental Watering Plans. The committee was instrumental in successfully delivering the Water Change Management Framework and Environmental Watering Plans within a very tight timeframe.

Inter-Agency Committee

As a state-owned entity, NVIRP works closely with other Commonwealth and Victorian Government departments and agencies to meet all funding and reporting requirements as well as discuss common objectives in the GMID.

Victorian Government departments with an interest in the project include:

- Department of Premier and Cabinet
- Department of Primary Industries
- Department of Sustainability and Environment
- Department of Treasury and Finance
- Regional Development Victoria.

Modernisation Consultation Committees

Five Modernisation Consultation Committees (MCCs) have been active throughout 2009-10, based in each of the irrigation areas in which NVIRP currently operates. Planning has been initiated for a further committee for the Shepparton irrigation area in anticipation of NVIRP Stage 2.

The purpose of the MCCs is to provide input and guidance into the NVIRP as it unfolds and is delivered, as well as to promote community awareness and ownership of the project.

The committees have been developed to

represent the diversity of irrigator and stakeholder perspectives and assist NVIRP to understand the issues and expectations of the community. In general, each committee comprises up to 11 community representatives and a number of agency representatives.

As well as providing guidance on the overall program, these committees are encouraged to evaluate local issues and develop solutions that assist local communities. Highlights over the year have included:

- continuing the development of a Future Management Strategy for the Campaspe Irrigation District and consulting with all landowners in the district to implement the project
- revisiting the original Torrumbarry Reconfiguration and Asset Modernisation Strategy (TRAMS) to ensure continued alignment with the NVIRP rollout
- developing a modernisation plan for the Murray Valley Irrigation Area and initiation of a project to investigate long-term capacity constraints
- implementing the Strategic Transition project, to plan for rural restructuring
- Developing a policy to provide landowners with more time to consider the opportunities available through NVIRP
- instigating a project to determine the distance of all service points within the

- NVIRP area from the backbone channels
- ensuring the rollout and management of landholder expectations in Central Goulburn between the Early Works program and second year of NVIRP
- supporting public consultation in each area of the GMID and leading the rollout and planning of public meetings and other information exchange forums including industry briefings and Bankers' Breakfasts
- planning and hosting the NVIRP Board of Directors on several regional tours to promote the positive works undertaken in all irrigation areas
- providing feedback on community issues and evaluating Farm Irrigation Assessments on a monthly basis.

Technical Advisory Group

NVIRP's Technical Advisory Group includes representatives from NVIRP, the DSE, DPI, G-MW, the Goulburn Broken and North Central Catchment Management Authorities, irrigator representatives and technical advisors to NVIRP.

The group meets on a regular basis, with six meetings having been held this financial year. Meetings are held to provide input on technical issues, facilitate communication between relevant authorities and inform NVIRP decision-making.



For Lawrie Crawford, replacing a spur channel running through a neighbouring property with a pipe to service his Cohuna dairy farm, has brought about a myriad of benefits.

Connections Program

NVIRP's Connections Program is aimed at consolidating the existing irrigation network by enabling irrigators to improve their water supply system as they connect to a backbone channel. The program involves independent farm designers and NVIRP staff working closely with irrigators to negotiate agreements that benefit both parties.

Properties are connected to the G-MW channel supply system via supply point connections. Through the Connections Program, irrigators are being encouraged to move supply points from spur channels to the backbone via a new connection, adopting the solution that best suits their farming operations. The program aims to consolidate connections and ensure as many customers as possible are connected directly to the backbone to access improved water delivery services.

Individual business cases are developed for each project where rationalisation of infrastructure is to occur. During 2009, NVIRP developed a Connections Program business framework comprising a set of

business rules and operational guidelines to define processes and policies applicable to the Connections Program. An important component of the framework was quality assurance guidelines allowing consistent information and program delivery.

Towards late 2010 it is anticipated that all consultation for the Backbone Meter Replacement Program will be completed, which will enable farm designers and consultation staff to focus on the Connections Program. Many community groups have expressed an interest in connections projects being undertaken on their local channel systems and increased resources will enable a greater amount of strategic connection projects to be undertaken.

Farm Irrigation Assessments

Throughout the year Farm Irrigation Assessments have proven to be an integral component of the Connections Program providing a streamlined and systematic

approach to consulting with irrigators and identifying business cases for modernised connections. FIAs ensure that all potential improvement opportunities are identified irrespective of their complexity. In a lot of cases, this is an irrigator's first direct interaction with NVIRP and as such, the delivery of consistent information is essential.

Whole Farm Plans

NVIRP has continued to honour an agreement with the GB CMA to partially fund Whole Farm Plans, particularly where works involve modifications that support farm modernisation.

Design Outcomes

The following tables outline outcomes achieved through the Connections Program and Farm Irrigation Assessment as of 30 June 2010.

Farm Irrigation Assessments

(See right)

FIA Progress	
Landowners adjacent to backbone	90 per cent complete
Landowners requiring connection to backbone	10 per cent complete

Infrastructure rationalised

(See right)

The following infrastructure will be rationalised following agreement from landholders.

Objective	Target	Total identified	Agreed	To be agreed
Channel to be rationalised (km)	859	1 424	208	1 216
Delivery shares transferred to backbone (ML/day)	2 258	3 156	597	2 559
Backbone service points rationalised (no.)	1 877	981	538	443
Backbone regulator gates rationalised (no.)	84	421	151	270
Spur service points rationalised (no.)	3 117	5 188	568	4 620

Business case status

(See right)

Business cases go through a series of stages prior to confirmation, progressing from Farm Irrigation Assessments to final acceptance by the landholder and NVIRP. At times business cases are put on hold to enable the landholder more time to consider their options and not all business cases receive final approval from NVIRP.

Business Case Status	Number	Percentage
Under development	207	20%
Developed	837	80%
Formally agreed	261	31%
Verbally agreed by all landowners involved in business case	115	14%
Under consideration or farm irrigation assessment	335	40%
Put on hold – to be considered at a later date	77	9%
Rejected or closed	49	6%
Total Developed Business Cases	837	

Design and Construction

Scope of works

For the second year, NVIRP has undertaken intensive construction programs during the irrigation shut-down period from 15 May to 15 August. The works have included installing Rubicon Systems Australia Total Channel Control® system and regulator gates; de-silting, remodelling, refurbishing and lining channels with High-Density Polyethylene (HDPE) plastic and installing on-farm connections such as regulator gates or meters. Once the irrigation season reopens, installation of new meters will continue.

The tight construction window and large number of sites located across a 58 500km² area within the GMID presented a number of logistical challenges for the construction team, however a dedicated group of NVIRP employees, Managing Contractor Transfield Services Australia staff and local contractors worked together to meet program targets.

Early works were completed by the FutureFlow Alliance in 2008. This financial year NVIRP completed the 2009 Winter Works and began the 2010 Winter Works. Construction targets are shown in the table below:

2010 Winter Works

This financial year NVIRP also planned for the delivery of the 2010 Winter Works which began on 15 May 2010.

Local construction companies were awarded contracts to install regulator gates and on-farm meters as well as the majority of channel lining contracts during the 2010 construction period. The contracts valued at just over \$91 million included \$40 million spent on regulator gates installed in the major backbone channels, over \$18 million to set up on-farm meters and over \$32 million of channel lined with HDPE plastic lining.

During the 2010 Winter Works, construction staff will work at 150 sites daily as they install approximately 600 regulator gates in over 350 channel regulator sites and work at approximately 40 channel lining sites.

The 2010 Winter Works will allow the majority of the backbone channel system to be automated with over 2 500 regulator gates installed and 60 kilometres of channel lined. In addition over 2 000 new accurate meters will have been installed.

2009 Winter Works

The 2009 Winter Works were undertaken across each irrigation area within the GMID from 15 May to 15 August.

This three month long works program was the culmination of extensive planning and designing. NVIRP led the installation of over 1 000 regulator gates in 670 regulator sites and major control structures, as well as the installation of 14.7 km of channel lining and decommissioning of 141 metered outlets.

Works	Actual	Actual	Estimated
	2008/09 ¹	2009/10	2010/11 ²
Channel lining (km)	5	15	40
Gates Installed (no.)	982	1021	521
Meters Installed (no.)	1 047	1 004	1 100

1. The actuals for 2008-09 represent the Early Works outcomes
2. The estimates for 2010-11 include anticipated outcomes for the 2010 Winter Works program (May to August 2010). The outcomes for the 2011 Winter Works program will be reported in the 2011-12 financial year
3. Estimate of works for a given year may alter in response to particular circumstances without varying the total scope of work
4. The actual and estimated outcomes are representative of financial years. The capital programs are planned and generally delivered in a calendar year

“We employ between 30-40 full time staff here in Rochester including our administration. Currently we have our own crews working on meter installations and we have sub contracted another seven crews...these contracts have a fantastic knock on effect for Rochester’s economy.”

Mark Ward, Ward Brothers Earthmoving & Construction, NVIRP Contractor

Water Savings

Targets

Stage 1 of NVIRP will implement water distribution and delivery efficiency improvements by 2012-13 and is projected to deliver an estimated 225 GL (long-term annual average) of water savings by 2013-14. Water savings will be generated progressively over the term of the project as a result of the works implemented by NVIRP.

Stage 2 of the project is intended to achieve an additional estimated 200 GL (long-term annual average) of water savings. The Commonwealth Government has agreed in-principle to contribute to Stage 2 costs up to \$1 billion, subject to a due diligence assessment and delivery of half the savings as additional flows to the environment.

Measurements

The DSE's Technical Manual for the Quantification of Water Savings (June 2009), available at www.dse.vic.gov.au provides the framework for measuring and auditing water savings from irrigation modernisation projects across Victoria including NVIRP.

In accordance with this technical manual, the water saved by NVIRP is calculated relative to the water lost in the nominal year, and converted into long-term average water (Long Term Cap Equivalent – LTCE) saved for the purpose of reporting.

Independent audit

Water savings derived from the project are independently audited on an annual basis. Water savings realised from the 2008-09 works program (15 May 2008 to 14 May 2009) were verified in October-November 2009 by the appointed independent external auditor, Cardno (Qld) Pty Ltd, on behalf of the DSE in accordance with the Technical Manual.

Accumulated water savings realised from works constructed to mid May 2010 will be verified by the independent auditor in October-November 2010.

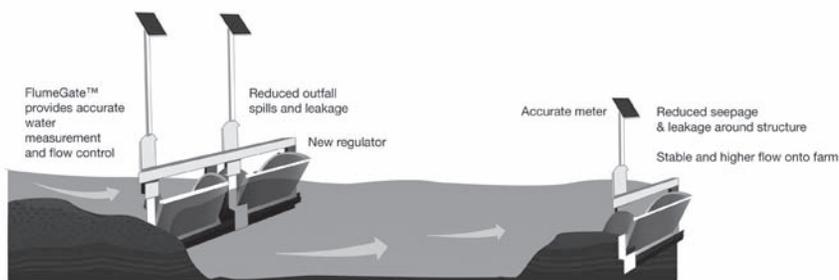
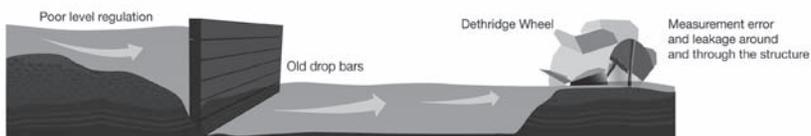
Water savings progress

The table (across) reports on progress towards the long term water savings targets in LTCE terms as well as savings targets allocated to each works component over the five year program. The table also shows independently audited LTCE savings for the 2008-09 period.

Reducing losses

Water losses need to be measured accurately to guide investment decisions. NVIRP is replacing and removing old service points to reduce measurement error and leakage around service points. In addition, automatic regular gates are being installed to control outfall losses and improve water level regulation which in turn improves service levels to irrigators.

The following diagrams illustrate these improvements.



Works Component	Water savings (GL)	2008/09	Audited Water Savings 2008-09 Works	2009/10	2010/11	2011/12	2012/13	2013/14
	Forecast	Actual (LTCE)	Forecast	Forecast				
Backbone automation	48	7	*25.9	21	16	4	0	0
Backbone remediation	43	1	1.1	3	7	14	15	3
Backbone Meters	58	0	1.2	19	12	12	13	2
Backbone Savings Subtotal	149	8	28.2	43	35	30	28	5
Connections meters	28	0	0	1	4	6	8	9
Connections works	48	0	0	2	10	12	12	12
Connections savings subtotal	76	0	0	3	14	18	20	21
Total forecast water savings (year)	225	8		46	49	48	48	26
Total forecast water savings (cumulative)		8		54	103	151	199	225
Total actual LTCE water savings (year)			28.2					
Total actual LTCE water savings (cumulative)			28.2					

*The backbone automation water savings for 2008-2009 were greater than forecasted due to more gate automation savings being realised than originally anticipated plus targeting areas of significant outfall losses plus targeting areas of significant outfall losses.

Special Projects

Campaspe District Future Management Strategy

The Campaspe Community Reference Group, a subcommittee of the NVIRP Rochester-Campaspe Modernisation Consultation Committee, was established in 2009 to investigate future water supply and security options in the Campaspe Irrigation District. The district has experienced severe drought and subsequent low water allocations for a prolonged period of time.

Through extensive consultation and support from technical experts, the Reference Group has developed a coordinated proposal to on-sell the majority of its water shares, in conjunction with decommissioning or altering shared irrigation supply infrastructure. Extensive community consultation during the year resulted in overwhelming support for decommissioning the irrigation district and the development of solutions for continued but reduced water supply to the district.

Gunbower Creek customer service enhancements

NVIRP recently worked with The Living Murray (TLM) and the North Central Catchment Management Authority (NC CMA) to assess available capacity within the Gunbower Creek and National Channel and whether infrastructure changes could be used to prevent shortfalls in environmental and consumptive deliveries.

NVIRP's principal objectives are to improve flow delivery consistency and accurate measurement and provide faster travel times along the Gunbower Creek system to improve customer service. To achieve these objectives, NVIRP has selected possible infrastructure projects that are economically viable or increase service levels for irrigators and the environment within the Torrumbarry Irrigation Area (TIA). These projects will be assessed further and have been identified for possible funding through Stage 2 of the project.

Kerang Lakes Bypass Project

The Kerang Lakes form part of a major lake system that is an integral part of the Torrumbarry Irrigation Area water supply distribution system. These lakes are a Ramsar listed wetland and have significant environmental values. The Kerang Lakes Bypass Project was instigated through the Torrumbarry Reconfiguration and Asset Modernisation Strategy (TRAMS).

G-MW engaged professional advisers Sinclair Knight Merz (SKM) in 2009 to develop potential options. SKM reported that the project would deliver significant environmental benefits if the lakes are removed from the TIA supply system and provided with a preferred water regime linked to historical unregulated flows in the Loddon River. The project would be subject to the *Environment Protection and Biodiversity Conservation Act (1999)* and is being considered for possible implementation through Stage 2.

Murray Valley environmental enhancement

The Murray Valley Modernisation Consultation Committee (MV MCC) was instrumental in identifying the need for an investigation to ensure that the full benefits of modernisation are realised for the Murray Valley Irrigation Area (MVIA), the Broken Creek system has adequate capacity to enable effective environmental management and NVIRP is able to ensure a level of service to MVIA customers that is comparable with other irrigation areas.

In June 2009 NVIRP engaged a consultant, Aurecon, to complete the investigation. A project reference group was also convened and included representatives from the MV MCC, G-MW, Regional Development Victoria (RDV), GB CMA and NVIRP. The project has been identified for possible implementation through Stage 2.

Swan Hill Modernisation Project

The Swan Hill Modernisation Project was instigated through the Torrumbarry Reconfiguration and Asset Modernisation Strategy (TRAMS). Consultants URS Australia were engaged to investigate and recommend an appropriate modernisation strategy for the future of the Swan Hill region. NVIRP also convened a project reference group with representatives from TRAMS, G-MW, Swan Hill Rural City Council, NC CMA, DPI and DSE.

The recommendation made by URS Australia consisted of combined options including removing the Swan Hill Number 9 Channel from the township and decommissioning the Little Murray Weir. Farm Irrigation Assessments for all irrigation customers supplied by the lower Number 9 and 10 Channels are due to begin in August 2010, to enable the irrigation community to determine the most sustainable solution for

irrigation in the region. Solutions would be implemented through Stage 2 of the project.

Four per cent exemption

The Victorian Government maintains a four per cent annual limit on permanent trade or transfers of water shares out of irrigation areas in northern Victoria. The limit was introduced to allow irrigation communities time to adjust to social changes associated with water trade. In 2009 the Victorian and Commonwealth Governments announced the Water for the Environment Agreement which creates exemptions to the four per cent limit.

In the Commonwealth's first round of buybacks, exemptions to the four per cent limit were provided for permanent trade of up to 60 GL of high reliability water shares. NVIRP is administering the four per cent trade out of areas. Exemption criteria and zones were identified for subsequent buybacks following discussions with NVIRP's Modernisation Consultation Committees and G-MW Water Services Committees.

On-farm efficiency program

NVIRP is part of a consortium led by the GB CMA that secured \$25.8 million in March 2010 from the Australian Government's \$300 million On-farm Irrigation Efficiency Program. Other consortium members are the NC CMA, Northern Victorian Irrigators' Association, DSE, DPI, Dairy Australia (including Murray Dairy) and G-MW.

A 45-day Expression of Interest (EOI) process was undertaken from April to May in 2010. EOIs were required to demonstrate savings of at least 20 megalitres of water, with a minimum of 50 per cent of water savings being transferred to the Commonwealth as an unencumbered permanent water entitlement. The water will be used by the Commonwealth Environmental Water Holder to improve environmental flows in stressed rivers and waterways.

Safe Performance

Staff safety

NVIRP recognises that Occupational Health and Safety is not solely about compliance; it is promoted as a way of working throughout all activities. As such, emphasis has been placed on developing strong working relationships with service providers, contractors and other organisations impacted by works to promote a safe working environment. Consultation is the key to our success and is facilitated via the NVIRP Occupational Health and Safety Committee and Project Safety Group.

Since the inception of the project, considerable effort has been made to implement Occupational Health and Safety systems. In 2010 NVIRP will continue to undertake independent internal audits of these systems against Australian Standard 4801 and identify areas for continual improvement.



Plastic Lining Murray Valley no. 7/2 channel, Mywee

Construction safety

NVIRP has adopted a zero tolerance approach to the safe delivery of the Capital Works programs. This approach includes the health and safety of the construction workplace, irrigators, landholders and the community during the construction and commissioning of works.

Transfield Services Australia has worked very effectively with NVIRP to ensure that a strong site based safety culture has been developed and maintained. As of May 2010, 503 919 construction man hours had been completed with no Lost Time Injuries being incurred. This is a remarkable achievement given the intensive nature of the construction period. In June 2010 the first Lost Time Injury was incurred, from which the worker has fully recovered and has returned to his normal duties after five days' rest.

NVIRP ensures that local and regional communities, together with heavy transport operators and school bus operators, are made aware of changed road conditions during the Winter Works from May to August. Victoria Police have also been very active in ensuring that the community is kept well informed of the need to take extra care during this period.

“Safety of NVIRP staff and work package contractors is not just a word or a theme: it is the culture of the organisation. NVIRP’s good safety record is owned by the collective. It is a consequence of continued focus on this aspect of the project during the delivery of all the services we provide.”

John Harvey,
Deputy Executive Manager Capital Works

Sound Governance

Project governance

The State Owned Enterprise for Irrigation Modernisation in Northern Victoria, trading as Northern Victoria Irrigation Renewal Project (NVIRP) is a State Body established under the State Owned Enterprise Act 1992 by an Order in Council (Order) dated 20 December 2007.

NVIRP is directly responsible to the Victorian Minister for Water (responsible minister) with governance and policy support from DSE. The Victorian Minister for Water, in consultation with the Treasurer on appropriate matters, has responsibility for new policies related to NVIRP and oversees the Board.

The Treasurer (shareholder minister) is primarily responsible for the commercial, financial and project risk management and associated conduct of NVIRP.

Department of Treasury and Finance (DTF) supports the Treasurer in shareholding ministerial capacity through monitoring the financials of NVIRP and taking a “banker’s” perspective on the project in protecting the State’s investment and providing an ongoing due diligence role in regard to commercial and project and financial risks.

NVIRP’s internal and external governance frameworks have been developed to support the delivery of the project. At the internal level the organisation is governed through the Board and its established sub-committees (Audit & Risk, Remuneration and Modernisation) and Governance Charter.

Externally, NVIRP and G-MW Boards have established a joint Boards’ sub-committee which together with a formalised relationship agreement provides the basis for a cooperative approach to the project by NVIRP and G-MW. NVIRP is also required to meet its various reporting obligations established by DSE as the responsible portfolio department and DTF as the shareholder’s representative.

The project involves a number of different stakeholders. The consultation and management of these relationships takes a number of forms including various committees and forums.

Board of Directors

NVIRP is an independently governed entity led by an independent, skills based Board. The Board is responsible for the strategic planning and management of NVIRP’s affairs.

In accordance with Section 9 of the Establishing Order, NVIRP is required to have a Board of Directors consisting of not less than four and not more than nine Directors. The composition of the Board requires that members have qualifications and experience relevant to the operations of NVIRP. The Board comprises seven members appointed for a three-year term (ending December 2012). Of the existing Directors, six sought reappointment and one did not.

Foreword

Plan

Design

Deliver

Financials

Appendices

Board Subcommittees

Audit and Risk Committee

The Audit and Risk Committee assists the Board by reviewing the effectiveness of the management and quality of information and other systems of control within NVIRP; assessing the effectiveness of the internal and external audit; overseeing the appointment of internal auditors and the review of reports from external auditors; reviewing the effectiveness of internal controls and reporting and overseeing the implementation of Treasury Policy.

Members included Terry Francis (Chair), Miranda Douglas-Crane and Richard Guy. When Terry Francis completed his term of appointment, Neil Brennan commenced as a temporary member and Miranda Douglas-Crane became Chair.

Modernisation Board Subcommittee

The Modernisation Board Subcommittee was established in May 2009 to assist the Board in fulfilling its responsibilities related to the Connections Program. The purpose of

the subcommittee is to ensure compliance with Board policy, that the key objectives of the program are being met; address new and emerging issues and consult with various stakeholders in relation to the Connections Program.

Members include Barry Steggall (Chair), Neil Brennan and Geoff Akers.

NVIRP and G-MW Board Coordination Committee

This committee assists the Board by ensuring the coordination and effective communication of Governance, Policy and strategic matters relating to the modernisation of northern Victoria's irrigation system. The committee considers matters of mutual interest to both organisations. The NVIRP CEO and G-MW Managing Director also attend meetings.

NVIRP members include Geoff Akers and Peter McCamish.

Remuneration Committee

The Remuneration Committee assists the Board by overseeing the adequacy, reliability and effectiveness of NVIRP's organisational structures; the remuneration and related policies including but not limited to performance bonus appraisal criteria and payments. This ensures the organisation's human resource policies are structured to enhance efficiency and productivity. The committee also ensures that the requirements of the Government Sector Remuneration Panel are observed.

Members include Richard Guy (Chair), Peter McCamish and Miranda Douglas-Crane.

Board/Subcommittee Representation (1 July 2009 to 30 June 2010 inc)

Scheduled Meetings

Director Membership	Board	Remuneration	Audit/Risk	Modernisation	NVIRP/ G-MW Joint	Other
Richard Guy (Chair)	11	2	7		-	
Terry Francis	9 ¹	-	4	-	-	-
Miranda Douglas-Crane	11	3	8	-	-	-
Geoff Akers	11	-	-	10	9	-
Barry Steggall	12	-	-	11	-	-
Peter McCamish	12	3	-	1 ²	9	-
Neil Brennan	13	-	2 ³	7	-	-
Total meetings held	13	4	8	11	10	

1. Resigned January 2010
2. Acting member since April 2010
3. Proxy Member

Compliance

Managing compliance is an integral part of good corporate governance, ethics and meeting community expectations. NVIRP reports to a number of Government entities, which involve independent verification and public reporting.

Availability of other information

Additional information relevant to Financial Reporting Direction 22B of the FMA 1994 is held at NVIRP's office and is available on request, subject to the *Freedom of Information Act 1982*:

- a statement that the declaration of private interests was completed by relevant officers
- details of shares held in subsidiaries
- publications and how these can be obtained
- changes in prices, fees, charges, rates and levies charged
- major external reviews
- major research and development
- official overseas travel
- major promotional, public relations and marketing activities
- assessments and measures undertaken to improve OH&S
- a general statement on industrial relations
- details of time lost through industrial accidents and disputes
- a list of major committees.

This information is available on written request from the Chief Executive Officer, NVIRP, PO Box 1665, Shepparton, Victoria 3632.

Building Act 1993

NVIRP does not own or control any government buildings and consequently no matters are required to be notified for purposes of compliance with the building and maintenance provisions of the Building Act 1993.

Contract reporting

NVIRP is required to notify the Victorian Minister for Water and the Treasurer if it proposes to enter into a contract or agreement which:

- exceeds \$5 million in total value
- may outlive the life of the NVIRP SOE, or have ongoing liability implications after the entity is wound up.

Total number of contracts/agreements reported: five (5)

Breakdown of contracts/agreements

- Meter installation: two (2)
- Gate installation: one (1)
- Channel lining: two (2)

Freedom of Information Act 1982

The *Freedom of Information Act 1982* allows the public a right of access to documents held by NVIRP. NVIRP has a comprehensive website that endeavours to satisfy the information needs of individuals. NVIRP is committed to ensuring information is reasonably accessible to all members of the public.

For the 12 months ending 30 June 2010, NVIRP received three Freedom of Information requests for access to documents. All three requests were from members of Parliament. Of the three requests received, two proceeded to internal review and the third was settled with the information requested being provided. One request initiated in 2008-09 has progressed to the Victorian Civil and Administrative Tribunal following lodgement of an appeal by the applicant.

Applications under the *Freedom of Information Act 1982* should be made in writing including a fee of \$23.90, addressed to Mr Harry De Jong, FOI Delegate, NVIRP, PO Box 1665, Shepparton VIC 3632. Further charges may be payable depending on the complexity and nature of the request.

Information Privacy Act 2000

NVIRP is subject to the *Information Privacy Act 2000* and is committed to protecting the privacy of all personal information it collects in a responsible and transparent manner. NVIRP has a privacy policy to ensure only appropriate information is collected and protects against misuse of private information. No privacy related complaints were received for the reporting year.

Further information can be obtained by contacting the Executive Manager Governance & Corporate Planning on 1300 163 006.

National Competition Policy

NVIRP complies with the legislative requirements and principles agreed under the National Competition Policy.

Ombudsman Act 1973

One complaint was received from the Ombudsman regarding an FOI request lodged by a Member of Parliament. The complaint was resolved in consultation with the Ombudsman's Office and complainant.

Pecuniary interest

Board members and all nominated officers have completed declarations of pecuniary interests. The Board has extended the requirement for nominated officers to complete a declaration to include all staff with an expenditure delegation limit of \$20,000 or more.

Whistleblowers Protection Act 2001

The *Whistleblowers Protection Act 2001* came into effect on 1 January 2002. The Act is designed to protect people disclosing information about serious wrongdoing in the Victorian Public Sector and to provide a framework for the investigation of these matters.

The protected disclosure coordinator for DSE functions as an agent for NVIRP to receive disclosures under the Act, and applies DSE procedures in managing disclosures. There were no disclosures made to NVIRP or referred to the Ombudsman in 2009-10, nor did NVIRP refuse to investigate any disclosures.

Disclosures of improper conduct by NVIRP or its employees may be made to Ms Jennifer Berensen, Manager, Privacy and Legislation, Projects and Protected Disclosure Coordinator, Department of Sustainability and Environment, PO Box 500, East Melbourne VIC 3002, Telephone: (03) 9637 8697, Facsimile: (03) 9637 8128, Email: jennifer.berensen@dse.vic.gov.au or The Ombudsman Victoria, GPO Box 469, Melbourne VIC 3001, Telephone: (03) 9613 5212, Toll free: 1800 500 509.

Committed Team

Over the last year NVIRP has focussed on continual improvement and promoting a harmonious and integrated workforce. During this period there has been an emphasis on strategically recruiting employees with specific skills to meet organisational objectives.

In the coming year, NVIRP will continue to enhance Learning and Development Programs, linking to Nationally Accredited Training Competencies and Qualifications. There will also be a renewed emphasis on measurable, achievable goals for staff to assist the organisation meet project objectives.

Relationships are being fostered with organisations such as Goulburn-Murray Water, to enhance the Human Resources and Occupational Health and Safety services offered within NVIRP.

Employment and Conduct Principles

The Public Administration Act 2004 specifies a number of employment and conduct principles that must be observed by public sector organisations and their employees. The following principles are observed by NVIRP management and staff. Employers must ensure that:

- employment decisions are based on merit
- employees are treated fairly and reasonably
- equal employment opportunity is provided
- human rights as set out in the *Charter of Human Rights and Responsibilities Act 2006* are upheld
- public sector employees have a reasonable avenue of redress against unfair or unreasonable treatment.

Employees must demonstrate:

- responsiveness
- integrity
- impartiality
- accountability
- respect
- leadership
- commitment to human rights.

The Code of Conduct for the Victorian Public Sector is issued to all NVIRP employees at their induction, to actively promote and maintain integrity and conduct standards. Further information regarding the Code of Conduct is available from the State Services Authority's website: www.ssa.vic.gov.au.

Leadership Programs

NVIRP promotes the Fairley Leadership Program. Our commitment to this program commenced in 2009 and continues into 2010. This program has enabled employees to develop skills, receive mentoring and adopt fresh ideas. The resultant energy, drive and commitment from these employees is assisting NVIRP to achieve its goals.

Learning and Development

Ongoing professional and personal development is a key to the success of our staff. NVIRP encourages all employees to highlight their individual Learning and Development needs and aligns these with nationally accredited competencies and qualifications. As part of this commitment NVIRP also supports staff on Trainee and Graduate Programs.

Annual reviews with our employees place an emphasis on learning and development for the next year and these are used to develop individual training plans, again placing

emphasis on the skills required to meet both organisational and individual goals.

Merit, Privacy and Equity

NVIRP is committed to merit and equity principles when appointing staff. Our recruitment processes are designed to ensure fair evaluation based on key selection criteria. This process is personal and care is taken to ensure that all applicants are treated with respect and confidentiality. Care is also taken to ensure that selection outcomes maintain equity for all staff.

Performance Reviews ensure that all decisions regarding reclassification, progression and promotion are managed with care, professionalism and confidentiality and ensure equity, with our primary consideration being meritorious reward.

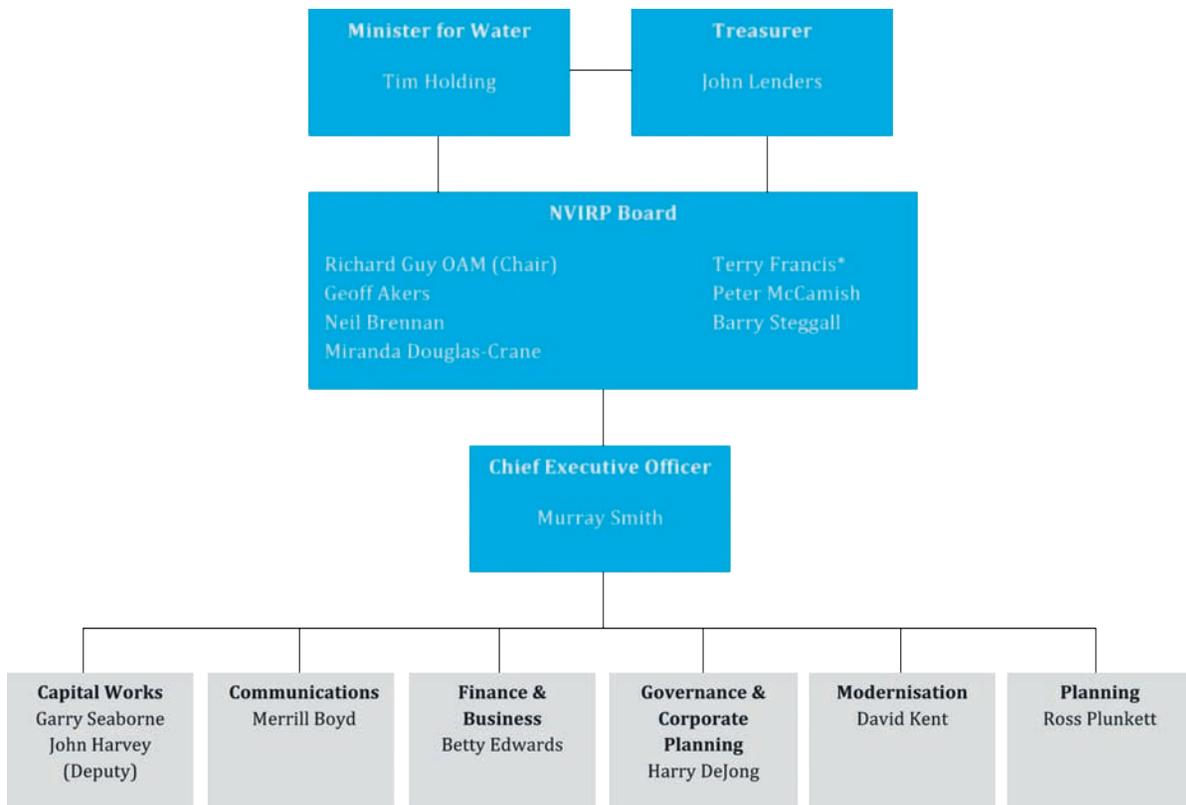
All Human Resources activities ensure that a personal approach is taken to all matters and that equitable salary and performance outcomes are achieved. Supporting systems are implemented to ensure that outcomes reflect the needs of the individual as well as the organisational goals.

NVIRP Organisational Chart

Organisational Chart

The following organisational chart details members of NVIRP’s Board, Chief Executive Officer, Senior Management and their responsibilities.

NVIRP’s Board Subcommittee members are listed in the section of this report on page 22.



*Completed term of appointment in January 2010

Workforce Data

Workforce Data

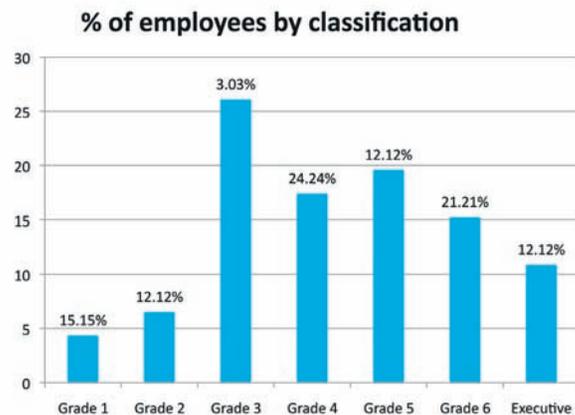
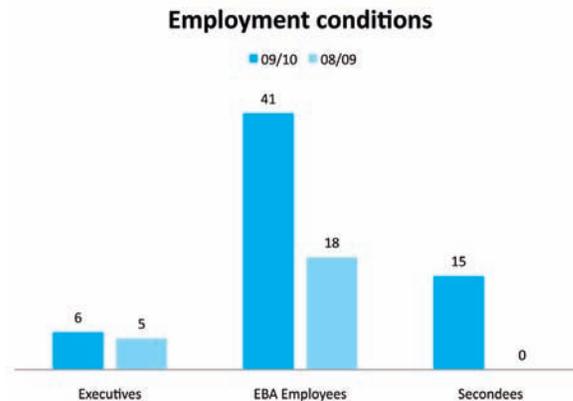
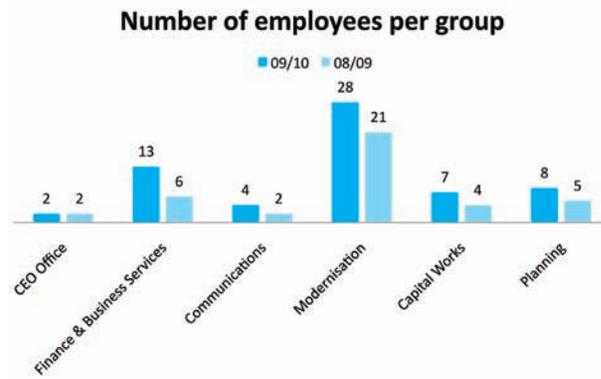
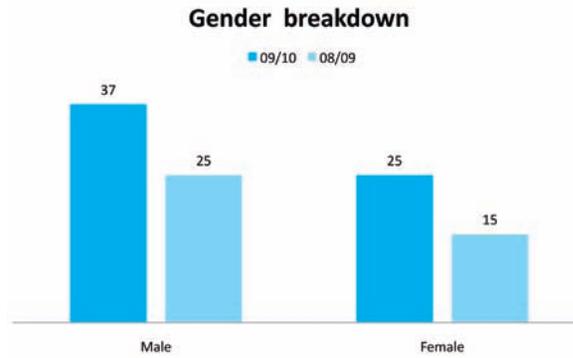
Our workforce has continued to grow as organisational needs have expanded. Our last annual report showed 40 employees comprising 23 employees and 17 seconded staff. This year we have grown to 47 full time staff and 15 seconded staff.

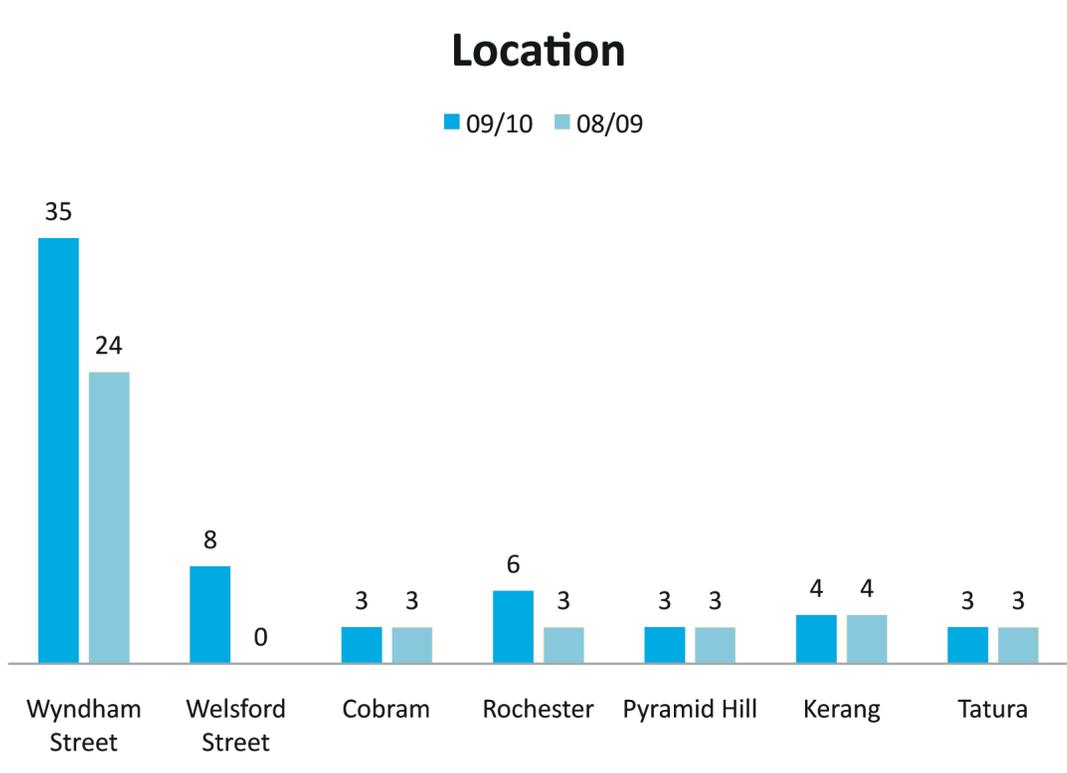
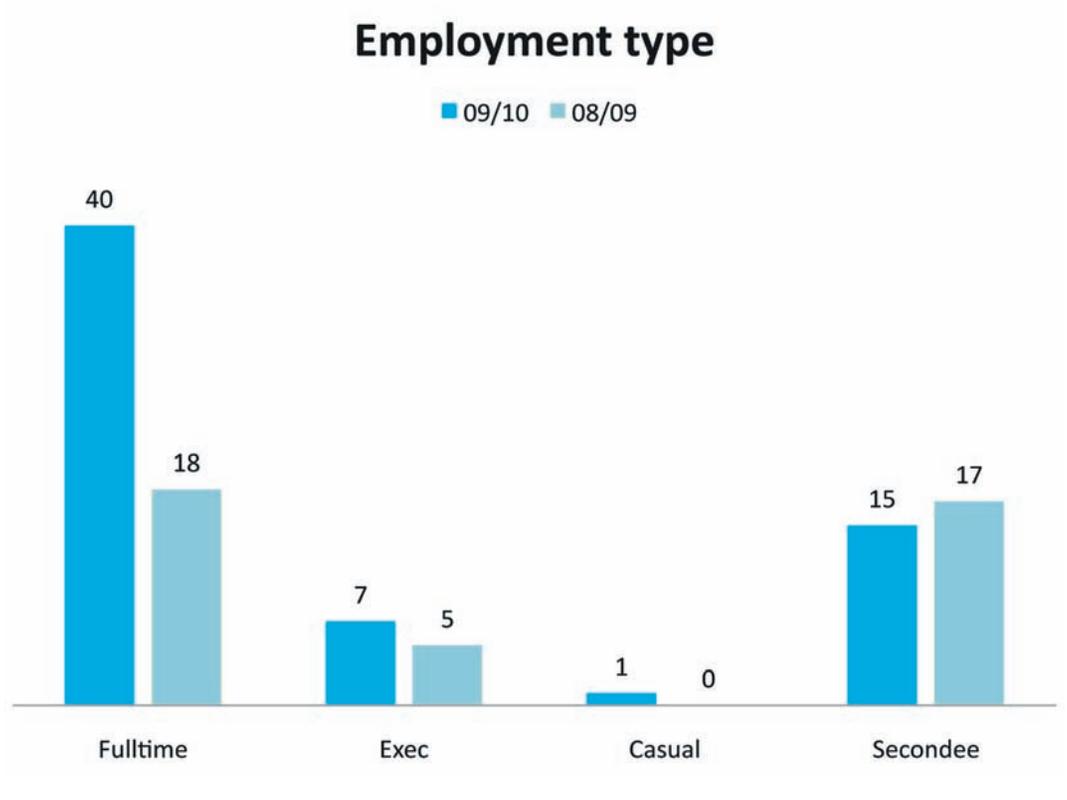
Staff turnover is currently running at nine per cent. The exit interview process is not reflecting turnover due to any organisational issues.

Age demographics are highlighting there is work to be done in attracting the under 25 age group for the next financial year.

NVIRP's workforce is based at two offices located in Shepparton, at Wyndham and Welsford Streets. NVIRP's Modernisation Coordinators work throughout the region and are based at several Goulburn-Murray Water offices, where they are able to work closely with Goulburn-Murray Water staff.

The following graphs outline comparative workforce data for this financial year as at 30 June 2010 and the preceding financial year.





Financial Summary

Financial Summary 2008 - 2010

	2010 \$'000	2009 \$'000	2008 \$'000
Revenue from Government	46,825	14,788	6,494
Other income and revenue	10,854	329	23
Total income from transactions	57,679	15,117	6,517
Total expenses from transactions	(47,455)	(15,520)	(2,263)
Net result from transactions	10,224	(403)	4,254
Net result of the period	9,944	(403)	4,254
Net cash flow from operating activities	46,561	7,939	6,652
Total Assets	226,085	133,483	6,802
Total Liabilities	79,672	25,750	2,548
Net Assets	146,413	107,733	4,254
Assets Transferred to G-MW	87,740	-	-

NVIRP's first period of operation commenced on 21 December 2007. Data are reported for the three periods of operation.

Funding Summary 2008 - 2010

Funding	Total Project Budget \$M	Expenditure			
		2010 \$M	2009 \$M	2008 \$M	Total
Operational Expenditure	50.4	9.9	11.5	2.3	23.7
Project Funding	841.1	160.9	42.4	-	203.3
Funding to NVIRP	891.5	170.8	53.9	2.3	227.0
Early Works Funding (DSE/G-MW) ⁽ⁱ⁾	113.0	(i)	(i)	(i)	(i)
Total	1,004.5				

(i) Expenditure associated with Early Works has and will be recorded in the Financial Statements of G-MW and DSE.

Current Year Financial Review

Overview

- Revenue from government was \$32.1 million higher than 2008-09 resulting from a \$33.7 million increase in project funding recognised to match project costs incurred during the year, offset by a \$1.6 million reduction in operational funding.
- The surplus of \$9.9 million compared to a deficit for the prior year of \$0.4 million and is mainly due to interest of \$4.2 million earned on cash balances held throughout the year and \$6.5 million received as a project contribution from a water authority.
- Net assets increased by \$38.7 million from 2008-09, which reflects the following significant movements in assets and liabilities:
 - Construction work in progress expenditure of \$123.5 million was incurred in 2009-10. Construction work in progress represents costs incurred to date which are expected to result in an asset or enhance an asset held by G-MW and which will be transferable to G-MW
 - \$87.7 million in assets were transferred to G-MW during the year
 - \$55.1 million increase in cash and cash equivalents due to the timing of the flow of funds associated with the funding deeds between the DSE and NVIRP
 - \$19.2 million increase in payables related to the winter works for the 2009-10 period due to the timing of creditors payments and a larger scope of works this year
 - \$34.4 million increase in unearned revenue due to the timing of the flow of funds associated with the funding deeds between the DSE and NVIRP.

revenue in the period in which they are due and receivable under the funding deed. For 2009-10 this amount was \$9.1 million (2008-09 \$10.7 million).

Contributions towards the delivery of the project for costs that do not form part of the assets to be transferred to G-MW are recognised as revenue according to the stage of completion of project delivery as at the end of the financial year. The portion of these contributions not recorded as revenue is represented as Unearned Revenue within the liabilities section of the balance sheet. The surplus for the period of \$9.9 million is mainly due to interest earned on cash balances held during the year and other contributions received.

Financial Position – Balance Sheet

Net assets increased by \$38.7 million to \$146.4 million mainly from increases in total assets of \$92.6 million comprising \$54.0 million increase in financial assets and \$38.5 million increase in non-financial assets, offset by an increase in total liabilities of \$53.9 million.

The increase in financial assets is mainly from cash and cash equivalents due to the timing of funds flows associated with the funding deeds between the Department of Sustainability and Environment (DSE) and NVIRP.

The increase in non-financial assets is mainly due to construction work in progress representing costs incurred to date which are expected to result in an asset or enhance an asset held by G-MW.

The increase in payables of \$19.2 million is related to the winter works for the 2009-10 year.

The increase of \$34.4 million in unearned revenue is due to the timing of funds flows associated with the funding deeds between DSE and NVIRP.

million higher than the prior year.

Cash inflows from financing activities were \$17.0 million higher than the prior year due to the timing of contributions under the funding deeds. These were constructed to ensure that sufficient cash was available to NVIRP to meet its obligations under the agreed construction schedules.

Financial Performance and Business Overview

NVIRP was established to plan, design and deliver a project to modernise the irrigation system in the GMID and accordingly it does not generate revenue. The revenue recorded results from government contributions to the project plus any interest earned on the funds received and other contributions.

Contributions towards the operation of NVIRP as an entity are recognised as

Financial Position – Cash Flows

The overall increase in cash of \$55.1 million during the 2009-10 financial year was lower than the previous year (\$82.3 million). Additional cash received as contributions from DSE for funding of the project was offset by higher payments to suppliers and payments for construction work in progress reflecting for the first time, a full 12 months of operation. This is also reflected in cash outflows for investing activities being \$82.7

Risk Management

NVIRP's Corporate Policy in relation to risk management is to ensure that the practice is embedded into and maintained as part of NVIRP's work culture. NVIRP actively manages risk in accordance with its Risk Management Plan which embraces the guidelines provided in AS/NZS 31000:2009 - Risk management principles and guidelines.

In addition, the Risk Management Plan incorporates a Risk Appetite Statement which defines NVIRP's tolerance to risk in relation to each of its project related operations.

Attestation by Chair in relation to Risk Management at NVIRP

I, Richard Guy, certify that NVIRP has project risk management processes in place consistent with the principles and guidelines established in AS/NZS 31000:2009. An active internal risk management team is in place to ensure that risks are identified and managed on an ongoing basis across the breadth of NVIRP's activities including interfacing with external stakeholders.

The Audit & Risk Committee verifies this assurance and that the risk profile of NVIRP has been critically reviewed within the last 12 months.



Richard Guy OAM
Chairman

23 August 2010

Victorian Industry Participation Policy (VIPP)

The Victorian industry Participation Policy Act 2003 requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy (VIPP).

During 2009-10, NVIRP commenced 16 contracts totalling \$62 623 989.65 (inclusive of GST) in value to which the VIPP applied. All contracts are for regional projects.

The commitments by contractors under the VIPP included:

- 13 suppliers provided 95 -100 per cent local content, the remaining three were for supply of materials only

- 450 full time equivalent jobs including 237 new jobs
- 7 apprentice positions created
- transfer of irrigation construction skills, safety systems and environmental and cultural awareness training.

The benefits also include increase to local employment and a boost to the regional economy.

NVIRP will manage contractor VIPP performance through contract obligations and performance measurement.

Consultancies

Consultant	Project	Total Approved NVIRP project fee \$'000	Expenditure 2009-10 \$'000	Future commitments \$'000
Aurecon Australia Pty Ltd	Project Advisor - System Enhancement Works	303	249	55
CDL	Stage 2 Business Case - Financial Advisor	250	240	-
Evans & Peck	Stage 2 Business Case - Capital Program Delivery Advisor	127	126	-
Hydro Environmental Pty Ltd	Stage 2 Business Case - Engineering and Technical Advisor	445	392	-
RMCG	Stage 2 Business Case - Customer Connections Advisor	534	511	-
URS Australia Pty Ltd	Project Advisor - System Enhancement Works	235	211	23

1 July 2009 to 30 June 2010

Total approved fees and expenditure for 2009-10 excludes GST.

2 consultancies of less than \$100,000 were awarded during the period and totalled \$126,398.

Definition of consultancies

An arrangement where individual or organisation is engaged to:

- i. Provide expert analysis and advice which facilitates decision making
- ii. Perform a specific one off task
- iii. Perform a task involving skills and perspective that would not normally be expected to reside within the entity.

They must meet all three criteria to be classified as consultants.

State Owned Enterprise for Irrigation Modernisation in Northern Victoria – trading as NVIRP (Northern Victoria Irrigation Renewal Project)

FINANCIAL REPORT

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Comprehensive operating statement for the financial year ended 30 June 2010

	<i>Note</i>	2010 \$'000	<i>2009</i> <i>\$'000</i>
Continuing Operations			
Income from transactions			
Government contributions	2(a)	46,825	14,788
Interest	2(b)	4,265	329
Other income	2(c)	6,589	-
Total income from transactions		57,679	15,117
Expenses from transactions			
Employee expenses	3(a)	3,760	1,960
Depreciation and amortisation	3(b)	203	49
Project costs	3(c)	37,469	4,018
Other operating expenses	3(d)	6,023	9,493
Total expenses from transactions		47,455	15,520
Net result from transactions (net operating balance)		10,224	(403)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4(a)	(280)	-
Total other economic flows included in net result		(280)	-
Comprehensive result		9,944	(403)

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

Balance sheet as at 30 June 2010

	<i>Note</i>	2010 \$'000	<i>2009</i> <i>\$'000</i>
Assets			
Financial assets			
Cash and cash equivalents	18(a)	144,000	88,865
Receivables	5	4,066	5,197
Total financial assets		148,066	94,062
Non-financial Assets			
Construction work in progress	6	74,226	38,461
Property, plant and equipment	7	1,056	760
Intangible assets	9	781	-
Non-financial assets classified as held-for-sale	8	1,412	-
Prepayments		544	200
Total non-financial assets		78,019	39,421
Total assets		226,085	133,483
Liabilities			
Payables	10	36,882	17,606
Provisions	12	418	153
Unearned revenue	11	42,372	7,991
Total liabilities		79,672	25,750
Net assets		146,413	107,733
Equity			
Accumulated surplus		13,795	3,851
Contributed capital		132,618	103,882
Net worth		146,413	107,733
Commitments	15		
Contingent liabilities and contingent assets	16		

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity for the financial year ended 30 June 2010

	Note	Equity at 1 July 2009	Changes due to		Equity at 30 June 2010
			Total comprehensive result	Transactions with owners in their capacity as owners	
<i>2010</i>		\$'000	\$'000	\$'000	\$'000
Accumulated surplus/(deficit)		3,851	9,944	-	13,795
Contributions by owners		103,882	-	-	103,882
Government contributions		-	-	140,708	140,708
Return of Capital		-	-	(24,232)	(24,232)
Transfer of capitalised project costs	6	-	-	(87,740)	(87,740)
		103,882	-	28,736	132,618
Total equity at end of financial year		107,733	9,944	28,736	146,413
<hr/>					
<i>2009</i>					
Accumulated surplus/(deficit)		4,254	(403)	-	3,851
Contributions by owners					
Capital appropriations		-	-	103,882	103,882
		-	-	103,882	103,882
Total equity at end of financial year		4,254	(403)	103,882	107,733

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement for the financial year ended 30 June 2010

	<i>Note</i>	2010 \$'000	<i>2009</i> <i>\$'000</i>
Cash flows from operating activities			
Receipts			
Receipts from Government		81,206	22,789
Goods and Services Tax recovered from the ATO		13,844	2,812
Interest received		3,408	366
Other receipts		7,183	-
Total receipts		105,641	25,967
Payments			
Payments to suppliers and employees		(59,068)	(17,408)
Goods and Services Tax paid to the ATO		(9)	(619)
Interest and other costs of finance paid		(3)	(1)
Total payments		(59,080)	(18,028)
Net cash flows from/(used in) operating activities	<i>18(b)</i>	46,561	7,939
Cash flows from investing activities			
Payment for property, plant and equipment		(499)	(794)
Payments for non-financial assets		(1,145)	-
Interest from investments		-	249
Payments for construction work in progress		(108,759)	(27,120)
Net cash flows from/(used in) investing activities		(110,403)	(27,665)
Cash flows from financing activities			
Proceeds from capital contributions by State Government		143,209	101,953
Return of contributions to State Government		(24,232)	-
Net cash flows from/(used in) financing activities		118,977	101,953
Net increase/ (decrease) in cash and cash equivalents		55,135	82,227
Cash and cash equivalents at the beginning of the financial year		88,865	6,638
Cash and cash equivalents at the end of the financial year	<i>18(a)</i>	144,000	88,865

Non-cash transactions *18(c)*

The above cash flow statement should be read in conjunction with the accompanying notes.

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Notes to the financial statements for the financial year ended 30 June 2010

Note 1. Summary of significant accounting policies

(a) Reporting entity

The financial report covers the State Owned Enterprise for Irrigation Modernisation in Northern Victoria trading as NVIRP, Northern Victoria Irrigation Renewal Project as an individual reporting entity. NVIRP is a State body, established pursuant to an Order in Council made under the State Owned Enterprise Act 1992. Its principal address is:

State Owned Enterprise for Irrigation Modernisation in Northern Victoria
461 Wyndham St
Shepparton VIC 3630

(b) Objectives and funding

NVIRP's objectives are to plan, design and deliver the program for modernisation of the irrigations systems throughout the Goulburn Murray Irrigation District (GMID).

Stage 1 of the Program, which is expected to be completed during 2012/13, will cost \$1.004 billion. Refer to Note 15 for further details.

(c) Statement of compliance

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards, including Interpretations (AASs). AASs include Australian equivalents to International Financial Reporting Standards.

Where applicable, those paragraphs of the AASs applicable for not-for-profit entities have been applied.

(d) Basis of accounting preparation and measurement

Historical Cost Convention

The financial statements have been prepared on an historical cost basis except for the revaluation of certain non-current assets where applicable. Historical cost is based on the fair values of the consideration given in exchange for assets.

Accrual Basis of Accounting

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Critical Accounting Estimates

In the application of AASs, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of the AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

Note 1. Summary of significant accounting policies (continued)

Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented for the period ended 30 June 2009.

Currency

All amounts are presented in Australian dollars, unless otherwise noted.

(e) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between NVIRP and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to a condition which arose after the reporting date and which may have a material impact on the results of subsequent reporting periods.

(f) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets or liabilities are presented inclusive of the amount of GST receivable or payable.

(g) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to NVIRP and the income can be reliably measured.

Government contributions

Operational Contributions

Government grants and contributions are recognised as operating revenue (unless designated as contributions) on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the comprehensive operating statement as government contributions.

Contract Revenue

Contract revenue represents government contributions towards the Project to core expenditure which will not result in an asset or enhance an asset held by G-MW. Refer also to Note 1(h) - Project costs. NVIRP recognises contract revenue from the State when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to NVIRP. Revenue for the provision of the project to deliver a modernised irrigation system is recognised based on a percentage of completion basis. The revenue component is disclosed in the comprehensive operating statement within the government contribution category. The portion of revenue received in advance which is not recognised as revenue, when applying the percentage of completion basis, is recorded as unearned revenue within Liabilities.

Note 1. Summary of significant accounting policies (continued)

Interest revenue

Interest revenue is recognised when interest is earned.

(h) Expenses

Employee benefits

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements and superannuation contributions. These are recognised when incurred.

Superannuation – defined benefit plans

The amount recognised in the comprehensive operating statement in relation to defined benefit superannuation plans represents the employer contributions that are paid or payable to these plans during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and actuarial advice.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, recognises on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans. The amount recognised in the comprehensive operating statement in respect of defined benefit superannuation plans represents the accrual of benefits during the reporting period. Note 12 and 13 provide further details.

Superannuation – defined contribution plans

The amount recognised in the comprehensive operating statement in respect of defined contribution superannuation plans represents the employer contributions that are paid and payable in respect of employees who are members during the reporting period. Superannuation contributions are made to the plans based on the Superannuation Guarantee legislation.

The amount recognised in the comprehensive operating statement in respect of defined contribution superannuation plans represents the accrual of benefits during the reporting period. Note 12 and 13 provide further details.

Depreciation and amortisation

All plant and equipment and other non-physical assets (excluding items under operating leases and assets held-for-sale) that have a limited useful life are depreciated. Depreciation is generally calculated on a straight-line basis so as to allocate the cost, net of their residual values, over their expected useful lives or the life of the project, whichever is shorter, commencing from the time the asset is held ready for use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following are typical estimated useful lives for the different asset classes for both current and prior years:

Plant and equipment	3 – 5 years
Leasehold improvements	3 – 5 years

Project Costs

Project costs represent those costs associated with the delivery of a modernised irrigation system which will not result in an asset or enhance a fixed asset held by G-MW and thus cannot be capitalised as construction work in progress. These costs are expensed as they are incurred. They are generally planning and on-farm modernisation works.

The costs associated with agreements to provide incentives for on-farm works and acquisitions of delivery shares are recognised at the time the agreement is signed by all parties to the agreement and the agreement becomes irrevocable.

Note 1. Summary of significant accounting policies (continued)

Other operating expenses

Supplies and services generally represent the day-to-day running costs, including maintenance costs, incurred in the normal operations of NVIRP. These items are recognised as an expense in the reporting period in which they are incurred.

(i) Financial assets

Cash and deposits

Cash and deposits, including cash equivalents comprise cash on hand and cash at bank and deposits at call which are readily convertible to known amounts of amounts of cash and are subject to insignificant changes in value.

Receivables

Receivables consist predominantly of debtors in relation to accrued investment income and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost less any accumulated impairment.

(j) Non-Financial Assets

Construction work in progress

Costs associated with NVIRP's delivery of a modernised irrigation system which result in an asset or enhance a fixed asset held by G-MW will be recorded as Construction work in progress. The balance of Construction work in progress represents the costs incurred to date less the value of assets or asset enhancements transferred to G-MW during the period.

Plant and equipment

Plant and equipment are measured initially at cost and we subsequently revalued at fair value less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Leasehold improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is shorter,

Non-financial assets classified as held-for-sale

Non-financial assets classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation. These assets are treated as current and classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as having been met only when the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of the classification.

Intangible assets

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to NVIRP.

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Note 1. Summary of significant accounting policies (continued)

(k) Liabilities

Payables

Payables represent liabilities for goods and services provided to NVIRP prior to the end of the financial year that that are unpaid, and arise when NVIRP becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables are initially recognised at fair value, being the cost of the goods and services.

Unearned Revenue

Funding for the delivery of the project to modernise the irrigation system is received in advance. That portion of the funds, which is not recognised as revenue, when using the percentage of completion methodology (referred to in Note 1(g) above), is recognised as unearned revenue. The balance of unearned revenue represents funds advanced to date less amounts recognised as revenue for the project to date.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as non-current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits

- **Current liability - unconditional LSL** (representing 7 or more years of continuous service for VPS staff and 10 and more years of continuous service for executives) is disclosed as a current liability even where NVIRP does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value – component that NVIRP does not expect to settle within 12 months; and
- nominal value - component that NVIRP expects to settle within 12 months.

- **Non-current liability – conditional LSL** (representing less than 7 years of continuous service for VPS staff and less than 10 years of continuous service for executives) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

(iii) Employee benefits on-costs

Employee benefits on-costs, including payroll tax, workers compensation and superannuation, are recognised separately from provision for employee benefits.

Note 1. Summary of significant accounting policies (continued)

(l) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value, and inclusive of the GST payable.

(m) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(n) Equity

Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets are treated as distributions to or contributions by owners.

(o) Leases

A lease is a right to use an asset for an agreed period in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating Leases

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

(p) Comparative amounts

The comparatives have been rounded and restated to the nearest thousand dollars. They were shown in whole dollars in the prior year financial report.

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises NVIRP of their applicability and early adoption where applicable.

As at 30 June 2010, a number of standards and interpretations had been issued that were not mandatory for financial year ending 30 June 2010. NVIRP has not early adopted these standards for this reporting period. Listed below are the standards which may have some applicability to NVIRP and the possible impact on the financial statements.

Note 1. Summary of significant accounting policies (continued)

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning or ending on</i>	<i>Impact on financial statements</i>
AASB 2009-5 Further amendments to <i>Australian Accounting Standards arising from annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]</i> .	Some amendments will result in accounting changes for presentation and recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 Jan 2011	Terminology and editorial changes. Impact minor.
AASB 124 Related party disclosures (Dec 2009)	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests that impact is insignificant. However, the DTF is still assessing the detailed impact and whether to advise government related entities to early adopt.
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	The standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under control of that government are considered to be a single customer for the purposes of certain operating statement disclosures. This standard also makes numerous editorial amendments to other AASBs.	Beginning 1 Jan 2011	AASB 8 does not apply to NVIRP and therefore no impact is expected. Otherwise, only editorial changes arising from the amendments to other standards, no major impact. Impacts from editorial amendments are not expected to be significant.
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from phase 1 of the iASB's project to replace IAS 39 <i>Financial instruments: recognition and measurement</i> (AASB 139 <i>financial instruments: recognition and measurement</i>).	Beginning 1 Jan 2013	Details of impact still being assessed.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 6, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detailed impact is still being assessed.

Note 2. Income from transactions

	2010 \$'000	2009 \$'000
Income		
(a) Revenue from Government		
Government contributions	46,825	14,788
Total revenue from Government	46,825	14,788
(b) Interest		
Interest on deposits	4,265	329
Total interest	4,265	329
(c) Other ⁽ⁱ⁾	6,589	-

(i) Other income includes \$6,500,000 received as a project contribution from a water authority.

Note 3. Expenses from transactions

	2010 \$'000	2009 \$'000
Expenses		
(a) Employee benefits:		
Post employment benefits		
• Defined contribution superannuation plans	270	104
• Defined benefit superannuation expense	20	9
Board Remuneration	271	271
Salaries and wages	3,199	1,576
Total employee benefits	3,760	1,960
(b) Depreciation and amortisation		
Depreciation of non-current assets	203	49
Total depreciation and amortisation	203	49
(c) Project costs	37,469	4,018
(d) Other operating expenses		
<i>Supplies and services</i>		
Purchase of supplies and consumables	336	331
Purchase of services	5,314	8,907
Total supplies and services	5,650	9,238
<i>Operating lease rental expenses:</i>		
• Minimum Operating lease payments	373	254
Total operating lease rental expenses	373	254
Total other operating expenses	6,023	9,492

Note 4. Other economic flows included in net result

	<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
Other gains and (losses)		
Devaluation of Land held-for-sale (refer Note 8)	(280)	-
Total gain/(loss) on non-financial assets	(280)	-

Note 5. Receivables

	<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
Current receivables		
Amounts due from Victorian Government	-	2,500
GST input tax credit recoverable	4,005	2,697
Other Receivables	61	-
Total current receivables	4,066	5,197

Nature and extent of risk arising from receivables

Please refer to Note 17(b) for the nature and extent of credit risk arising from receivables.

Note 6. Construction Work in Progress

	<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
Non - current		
Construction Work in Progress		
Capitalised costs	74,226	38,461
Total Construction Work in Progress	74,226	38,461

	<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
Movements in carrying amounts		
Opening balance	38,461	-
Project costs capitalised	123,505	38,461
Transfer capitalised project costs to G-MW	(87,740)	-
Closing balance	74,226	38,461

Note 7. Property, plant and equipment

	2010 \$'000	2009 \$'000
Non-current Property, plant and equipment		
Leasehold improvements at fair value	663	377
Accumulated depreciation	(88)	(12)
	575	365
Plant and equipment at fair value	644	431
Accumulated depreciation	(163)	(36)
	481	395
Total	1,056	760

Movements in carrying amounts	<i>Leasehold improvements at cost</i> \$'000	<i>Plant and equipment at cost</i> \$'000
Balance at 1 July 2009	365	395
Additions	286	213
Disposals	-	-
Depreciation	(76)	(127)
Balance at 30 June 2010	575	481
Balance at 1 July 2008	-	14
Additions	377	417
Disposals	-	-
Depreciation	(12)	(36)
Balance at 30 June 2009	365	395

Note 8. Non-financial assets classified as held-for-sale

	2010 \$'000	2009 \$'000
Land held- for-sale ⁽ⁱ⁾ – at fair value	786	-
Water shares held- for- sale ⁽ⁱⁱ⁾ – at fair value	626	-
Closing balance	1,412	-

Notes:

- (i) Land held-for-sale represents purchases of land undertaken by the Rural Finance Corporation of Victoria (RFC) on behalf of NVIRP as part of the on farm works program. RFC is marketing these parcels of land on behalf of NVIRP and it is expected that that will be sold within the next 12 months. RFC has complied with all the necessary obligations in relation to land purchasing and sales by government related entities. An impairment loss of \$280,000 was recognised as at 30 June 2010.
- (ii) Water shares held-for-sale represent both purchases of water shares undertaken by RFC on behalf of NVIRP and purchases made directly by NVIRP. No provision for impairment of carrying value was required at 30 June 2010. Both of these types of purchases were undertaken as part of the on farm works program.

Note 9. Intangible assets

	2010 \$'000	2009 \$'000
Gross carrying amount		
Opening Balance	-	-
Purchase of Native Vegetation Offsets	781	-
Closing Balance	781	-
Accumulated amortisation and impairment		
Opening Balance	-	-
Closing Balance	-	-
Net book value at the end of the financial year	781	-

Note:

Under the Native Vegetation Management: A Framework for Action (2002) (the Framework), NVIRP is required to mitigate the loss of the native vegetation by commensurate gains through the provision of appropriate offsets. The loss of native vegetation, as a consequence of the construction work under the various NVIRP programs creates an obligation which NVIRP must offset and provision for this is made at the time. Satisfaction of this obligation requires NVIRP to purchase Native Vegetation Credits which are recognised as intangible assets. Once the 'offset' has been formally established and registered, NVIRP extinguishes its liability by removing the corresponding intangible asset. The balance of the intangible assets at 30 June 2010 represents the Credits purchased which have not yet been formally offset against the obligations.

Note 10. Payables

	2010 \$'000	2009 \$'000
Current payables		
Amounts payable to other government agencies	-	857
Supplies and services and construction work in progress ⁽ⁱ⁾	36,716	16,565
Taxes payable	166	184
Total payables	36,882	17,606

Notes:

(i) The average credit period is 30 days. No interest is charged on payables for the first 30 days from the date of the invoice.

(a) **Maturity analysis of payables**

Please refer to table 17.5 in Note 17 for the ageing analysis of payables

(b) **Nature and extent of risk arising from payables**

Please refer to Note 17 for the nature and extent of risks arising from payables.

Note 11. Unearned Revenue

	2010 \$'000	2009 \$'000
Current		
Unearned revenue	42,372	7,991

Unearned revenue represents the portion of the funding not capitalised, directly related to project costs, received to date which has not been recognised as revenue when applying the stage of completion methodology to revenue recognition. The stage of completion methodology used is the percentage completion basis. It is calculated as the ratio of costs for on farm works incurred to date, to total funding available which substantially relates to such on farm works.

Note 12. Provisions

	2010 \$'000	2009 \$'000
Current provision		
Employee benefits ⁽ⁱ⁾		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	275	121
Unconditional and expected to be settled after 12 months	-	-
	275	121
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	47	20
Unconditional and expected to be settled after 12 months	-	-
	47	20
Total current provisions	322	141
Non-current provision		
Employee benefits ⁽ⁱ⁾	83	11
Employee benefits on-costs	13	1
Total non-current provisions	96	12
Total provisions	418	153

(a) Employee benefits⁽ⁱ⁾ and related on-costs

	2010 \$'000	2009 \$'000
Current employee benefits		
Annual leave entitlements	151	52
Unconditional long service leave entitlements	124	69
Non-current employee benefits		
Conditional long service leave entitlements	83	11
Total employee benefits	358	132
Current on-costs	47	20
Non-current on-costs	13	1
Total on-costs	60	21
Total employee benefits and related on-costs	418	153

Note:

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

(ii) The amounts disclosed are nominal amounts.

Note 13. Superannuation

Employees of NVIRP are entitled to receive superannuation benefits and NVIRP contributes to both nominated defined benefit and defined contribution plans.

The defined benefit plan(s) provide benefits based on years of service and final average salary.

NVIRP does not recognise any defined benefit liability in respect of the plan(s) because NVIRP has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.

Note 13. Superannuation (continued)

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of NVIRP.

The name and details of the major employee superannuation funds and contributions made by NVIRP are as follows:

Fund	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Defined benefit plans:				
Emergency Services and State Superannuation Fund- revised and new	17	9	3	-
Defined contribution plans:				
VicSuper	126	55	7	-
Vision Super	46	15	2	-
Other	81	34	8	-
Total	270	113	20	-

Note:

The above amounts were measured as at 30 June of each year, or in the case of employer contributions they relate to the year ended 30th June.

The basis for contributions are determined by the various schemes.

Note 14. Leases

Disclosures for lessees – operating leases

Leasing arrangements

Operating leases relate to office accommodation with lease terms of 5 years, with an option to extend for a further 2 x 2 years. NVIRP does not have an option to purchase the leased asset at the expiry of the lease period.

Operating leases also relate to motor vehicles, with varying lease terms not exceeding 3 years. NVIRP does not have an option to purchase the leased assets at the expiry of the lease period.

	2010 \$'000	2009 \$'000
<i>Non-cancellable operating leases payable</i>		
Not longer than 1 year	559	348
Longer than 1 year and not longer than 5 years	562	733
Longer than 5 years	-	-
	1,121	1,081

Note 15. Commitments

Under the Victorian Government's 2007 "Our Water Our Future" – The Next Stage of the Government's Water Plan, the State announced \$1.004 billion funding (including \$113 million paid directly to G-MW) for Stage 1 of the Northern Victoria Irrigation Renewal Project to upgrade the Goulburn Murray Irrigation District Irrigation System in Northern Victoria. Funding is to be provided by the State Government, via The Department of Sustainability and Environment ("DSE") \$604 million, Melbourne Water Corporation ("MWC") \$300 million and Goulburn Murray Water ("G-MW") \$100 million. \$113 million was provided directly to G-MW to complete the early works program, the receipt of and expenditure of these funds is accounted for separately by G-MW.

NVIRP will receive \$50.4 million to meet its direct operating costs and \$841.1 million for project works (excluding the \$113 million paid directly to G-MW). The funding for the project works will be received as 2 streams - \$265.5 million will be recorded as revenue and matched to expenses substantially related to connections in accordance with AASB 111 Construction Contracts and \$575.6 million will be received as capital contributions and recorded as Construction Works in Progress until such time as the works are transferred to G-MW, the owners of the assets. Upon transfer, capital contributions and assets will be reduced by the value of the assets to being transferred.

At 30 June 2010 the funding position is as follows:

	Total Committed at start of project \$'000	Received \$'000	Balance \$'000
Operational Funding	50,415	26,326	24,089
Project Funding	841,101	292,491	548,610
Total Committed directly to NVIRP	891,516	318,817	572,699
		<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
(a) Commitments for receipt of Revenue			
(i) Operational Funding Commitments			
Receivable:			
Not longer than one year		9,449	9,062
Longer than one year and not longer than five years		14,640	24,089
Longer than five years		-	-
Total operational funding revenue commitments		24,089	33,151
(ii) Project Funding Commitments			
Receivable:			
Not longer than one year		242,396	268,969
Longer than one year and not longer than five years		306,214	490,020
Longer than five years		-	-
Total project funding revenue commitments		548,610	758,989

Note 15. Commitments (continued)

	2010 \$'000	2009 \$'000
(b) Commitments for Expenditure		
(i) Capital expenditure commitments		
<i>Project Works</i>		
Payable:		
Not longer than one year	52,752	40,657
Longer than one year and not longer than five years	12,534	13,500
Longer than five years	-	-
Total capital expenditure commitments	65,286	54,157
(ii) Other expenditure commitments		
Payable:		
Not longer than one year	9,951	4,365
Longer than one year and not longer than five years	204	435
Longer than five years	-	-
Total other expenditure commitments	10,155	4,800
(ii) Lease commitments		
Non-cancellable operating lease commitments are disclosed in Note 14 to the financial statements.	1,121	1,081
Total commitments for expenditure (inclusive of GST)	76,562	60,038
Less GST recoverable for the Australian Taxation Office	6,960	5,458
Total commitments for expenditure (exclusive of GST)	69,602	54,580

All amounts in the commitments for receipt of revenue note are nominal amounts. No GST is receivable on these amounts.

All amounts shown in the commitments for expenditure note are nominal amounts inclusive of GST.

Note 16. Contingent assets and Contingent Liabilities

	2010 \$'000	2009 \$'000
Contingent assets	-	-
Contingent liabilities		
Verbally agreed contracts/agreements with irrigators	82,322	-
	82,322	-

The amount disclosed represents NVIRP's expected liability to landowners/ irrigators as a result of verbal agreements between NVIRP and landowners/ irrigators for incentives to be paid and delivery shares and water shares to be purchased. The extent of the economic outflow is contingent upon the formal execution of the contracts by landowners/ irrigators, NVIRP and G-MW and, in the case of water shares, the final settlement of the transaction.

Note 17. Financial instruments

(a) Financial risk management objectives and policies

NVIRP's principal financial instruments comprise of:

- cash assets
- receivables (excluding statutory GST recoverable)
- payables (excluding taxes payable)

Details of the significant accounting policies and methods adopted for the recognition and measurement of income and expenses are disclosed in Note 1 to the financial statements for each class of financial asset, financial liability and equity instrument.

The main purpose for holding financial instruments is to prudently manage NVIRP's financial risks within Government policy parameters.

The carrying amount of NVIRP's contractual financial assets and financial liabilities by category are in table 17.1 below:

Table 17.1: Categorisation of financial instruments

	<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
Contractual financial assets		
Cash and cash equivalents	144,000	88,865
Receivables	61	2,500
Total contractual financial assets ⁽ⁱ⁾	144,061	91,365
Contractual financial liabilities		
Payables	36,716	17,422
Total Financial Liabilities ⁽ⁱⁱ⁾	36,716	17,422

Note:

- (i) *The amount of receivables disclosed here exclude statutory receivables (i.e. GST input tax credits recoverable)*
- (ii) *The total amount of financial liabilities disclosed here exclude statutory payables (i.e. Taxes payable)*
- (iii) *All amounts disclosed are at fair value*

Table 17.2: Net holding gain/(loss) on financial instruments by category

	<i>Total interest</i> <i>income/(expense)</i> <i>2010</i> <i>\$'000</i>	<i>Total interest</i> <i>income/(expense)</i> <i>2009</i> <i>\$'000</i>
Contractual financial assets		
Cash and cash equivalents	4,265	329
Receivables	-	-
Total contractual financial assets	4,265	329
Contractual financial liabilities		
Payables	-	-
Total contractual financial liabilities	-	-

The net holding gains or losses disclosed above are determined as follows:

- For cash and cash equivalents and receivables, the net gain or loss is the interest revenue.
- For financial liabilities, the net gain or loss is the interest expense.

Note 17. Financial instruments (continued)

(b) Credit risk

Credit risk arises from the financial assets of NVIRP which comprise cash and cash equivalents, and other receivables. NVIRP's exposure to credit risk arises from the potential default of counter parties on their contractual obligations resulting in financial loss to NVIRP. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with NVIRP's financial assets is minimal because the majority of receivables relate to GST on accrual raised and receivables from the State.

Except as otherwise detailed in the following table, the carrying amount of financial assets recorded in the Financial Report, net of any allowances or losses, represents NVIRP's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Note 17. Financial instruments (continued)

Table 17.3: Credit quality of contractual financial assets that are neither past due nor impaired ^(a)

	2010 \$'000		2009 \$'000	
	Government Agencies (AAA credit ratings)	Financial Institutions (AA credit rating)	Government Agencies (AAA credit ratings)	Financial Institutions (AA credit rating)
	Total		Total	
Cash and cash equivalents	54,998	89,002	32,009	56,856
		144,000		88,865

Note:

(a) The total amounts disclosed here exclude types of statutory financial assets (e.g. Amounts owing from Victorian Government and GST input tax credit recoverable).

The are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at their carrying amount as indicated. The following table discloses the ageing only of contractual financial assets that are past due but not impaired.

Table 17.4: Ageing analysis of financial assets^(a)

	2010 \$'000		2009 \$'000	
	Carrying amount	Not past due and not impaired	Carrying amount	Not past due and not impaired
Cash or cash equivalents	144,000	144,000	88,865	88,865
Receivables	61	61	2,500	2,500
Total	144,061	144,061	91,365	91,365

Note:

(a) Ageing analysis of financial assets excludes types of statutory financial assets (e.g. Amounts owing from Victorian Government and GST input tax credit recoverable).

Note 17. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk arises when NVIRP is unable to meet its financial obligations as they fall due. NVIRP operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

DSE provides the sole source of NVIRP future funds under two funding agreements - the NVIRP Operational Funding Agreement (operating funds) and the Funding Agreement (capital project funds). These agreements provide funding, subject to appropriation being made available for the project and NVIRP meeting, to the satisfaction of DSE, a number of obligations including performance milestones and reporting. NVIRP has regular and significant capital and operating payables under contracts and agreements with providers and contractors. As a result of these funding arrangements, NVIRP has a liquidity risk were its funding to be delayed. The risk cannot be quantified and is mitigated through cashflow management.

Note 17. Financial instruments (continued)

The following table discloses the contractual maturity analysis for NVIRP's financial liabilities:

Table 17.5: Maturity analysis of financial liabilities

	Carrying amount	Nominal Amount	Maturity dates ^(a)			
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years
2010	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other payables	36,716	36,716	36,716	-	-	-
Total	36,716	36,716	36,716	-	-	-
<hr/>						
	Carrying amount	Nominal Amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years
2009	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts payable to other government agencies	857	857	-	857	-	-
Other payables	16,565	16,565	16,565	-	-	-
Total	17,422	17,422	16,565	857	-	-

Note:

(a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities

Note 17. Financial instruments (continued)

(d) Market risk

NVIRP's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

Interest rate risk

NVIRP has interest bearing assets with its exposure to interest rate risk not considered significant.

Table 17.6: Interest rate exposure of financial instruments

	<i>Weighted average effective interest rate</i>	<i>Carrying amount</i>	<i>Interest rate exposure</i>		
			<i>Fixed interest rate</i>	<i>Variable interest rate</i>	<i>Non-interest bearing</i>
	<i>%</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
2010					
Financial assets					
Cash at bank	3.61	89,002	-	89,002	-
Cash on deposit with Treasury Corporation Victoria	3.66	54,998	-	54,998	-
Receivables	-	61	-	61	-
Total financial assets		144,061	-	144,061	-
Financial Liabilities					
Other payables	-	36,716	-	-	36,716
Total financial liabilities		36,716	-	-	36,716
2009					
Financial assets					
Cash at bank	5.00	56,856	-	56,856	-
Cash on deposit with Treasury Corporation Victoria	2.98	32,009	-	32,009	-
Receivables	-	2,500	-	-	2,500
Total financial assets		91,365	-	88,865	2,500
Financial liabilities					
Other payables	-	17,422	-	-	17,422
Total financial liabilities		17,422	-	-	17,422

Note 17. Financial instruments (continued)

(e) Fair value

NVIRP does not have any financial assets or liabilities as at 30 June 2010 that are stated other than at fair value.

(f) Sensitivity disclosure analysis and assumptions

The sensitivity analysis below has been determined based on the exposure to the market interest rate risk of the cash and cash equivalent balances at the end of the reporting period.

A movement in market interest rates of 1% higher or lower, would cause the 2010 comprehensive result to increase or decrease by \$1,440,000. (2009: \$889,000.)

The sensitivity analysis disclosed is for illustrative purposes only and are not entirely representative of the risk inherent in the cash and cash equivalent balances. The year end exposure does not reflect the exposure during the year due to timing differences between receipts and payments leading to higher cash balances at the end of the reporting period.

Note 18. Cash flow information

(a) Reconciliation of cash and cash equivalents

	<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
Cash at bank	89,002	56,855
Cash on deposit with Treasury Corporation of Victoria	54,998	32,010
Balance as per cash flow statement	144,000	88,865

All cash at bank and deposits with TCV are at call.

(b) Reconciliation of net result for the period to net cash flows from operating activities

	<i>2010</i> <i>\$'000</i>	<i>2009</i> <i>\$'000</i>
Net result for the period	9,944	(403)
Non-cash movements:		
Depreciation and amortisation of non-current assets	203	49
Net (gain)/ loss on non financial assets	280	-
Movements in assets and liabilities:		
(Increase)/decrease in current receivables	(244)	(1,157)
(Increase)/decrease in other current assets	(345)	(199)
(Decrease)/increase in current payables	2,934	1,472
(Decrease)/increase in current provisions	181	137
(Decrease)/increase in other current liabilities	33,524	8,027
(Decrease)/increase in non-current provisions	84	13
Net cash flows from/(used in) operating activities	46,561	7,939

(c) Non- cash financing and investing activities

Transfer of capitalised costs to G-MW

During the reporting period NVIRP transferred capitalised project costs to G-MW for those capital items which had been installed, replaced or refurbished during the period to date, which G-MW had commenced utilising. The transfer totalled \$87,740,000 (2009 \$nil) and is shown in Note 6. The transfer of these costs is not reflected in the cashflow statement.

Note 19. Responsible persons

The names of persons who were Responsible Persons at any time during the period 1 July 2009 to 30 June 2010 are:

The Hon T Holding MP	Minister for Water
Mr Richard Guy OAM	Chairman
Mr Geoffrey Akers	Board Member
Mr Neil Brennan	Board Member
Mrs Miranda Douglas-Crane	Board Member
Mr Terrence Francis	Board Member (term ended 18 January 2010)
Mr Peter McCamish	Board Member
Mr Barry Steggall	Board Member
Mr Murray Smith	Chief Executive Officer (Accountable Officer)

Remuneration of Responsible Persons

The numbers of Responsible Persons are shown below in their relevant income bands (excluding the Responsible Minister):

Remuneration Band	2010	2009
\$0 to \$9,999	1	1
\$20,000 to \$29,999	1	-
\$30,000 to \$39,999	4	5
\$100,000 to \$109,999	1	1
\$290,000 to \$299,999	-	1
\$350,000 to \$359,999	1	-
	8	8

In calculating the disclosures above, income includes base salary and superannuation.

Total remuneration (including superannuation) received or due and receivable to the Responsible Persons from the reporting entity amounted to \$636,569 (2009 \$590,775). The Minister's remuneration is disclosed in the Financial Statements of the Department of Premier and Cabinet.

The significant movements compared to prior year have resulted from the prior year being only a part period of operation.

Transactions with Responsible Persons

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to disclose.

Note 20. Remuneration of executives

The number of executive officers, other than Ministers and accountable officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

A number of executives received bonus payments during the year. The employment contracts allow for an annual bonus payment based on pre determined Key Result Areas.

<i>Income Band</i>	<i>Total Remuneration</i>		<i>Base Remuneration</i>	
	<i>2010 No.</i>	<i>2009 No.</i>	<i>2010 No.</i>	<i>2009 No.</i>
\$0 to 9 999	1	-	2	-
\$30 000 - 39 999	1	-	-	-
\$50 000 - 59 999	-	-	-	-
\$100 000 - 109 999	-	-	-	2
\$110 000 - 119 999	-	1	-	1
\$120 000 - 129 999	-	2	2	1
\$130 000 - 139 999	-	-	-	-
\$140 000 - 149 999	2	1	-	-
\$150 000 - 159 999	-	-	1	-
\$160 000 - 169 999	-	-	-	-
\$180 000 - 189 999	1	-	1	-
\$210 000 - 219 999	1	-	-	-
Total numbers	6	4	6	4
Total amount (\$'000)	740	510	603	456

Note 21. Remuneration of auditors

	<i>2010 \$'000</i>	<i>2009 \$'000</i>
Victorian Auditor-General's Office and Audit of the financial report		
Audit or review of the financial report		
Paid	10	10
Payable	26	21
	36	31

Note 22. Subsequent events

As at the date of this report there were no events subsequent to balance date requiring additional disclosure.

Note 23. Glossary of Terms

Backbone

Larger capacity water supply channels (carriers and trunks) that will form the nucleus of a modernised and automated water supply system to efficiently transport large volumes of water direct to customer service points.

Capital Contributions

Additions to net assets which have been designated as contributions by owners.

Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Connections

Public or private, piped or open channels, that allows individual properties, or a cluster of properties, to receive water from the Backbone (i.e. to be connected to the Backbone).

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to NVIRP; or
- (d) a contract that will or may be settled in NVIRP's own equity instruments and is:
 - a non-derivative for which NVIRP is or may be obliged to receive a variable number of NVIRP's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of NVIRP's own equity instruments.

Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on-passing

All grants paid to one institutional sector (e.g. a State general government) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

Note 23. Glossary of Terms continued

Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (Sept 2007), which means it may include the main financial statements and the notes.

Interest revenue

Interest revenue includes interest received on bank term deposits, interest from investments, and other interest received.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

On farm works

Works to be carried out on a landowner's property downstream of a service point (i.e. downstream of meter).

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

Reconfiguration Program Transfer Agreement

The agreement between DSE, G-MW and NVIRP to allocate funds for the reconfiguration of irrigation infrastructure and generation of water recovery and savings between G-MW and NVIRP.

State Owned Enterprise for Irrigation Modernisation in Northern Victoria Statutory Certification

We certify that the attached financial report for the State Owned Enterprise for Irrigation Modernisation in Northern Victoria has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes forming part of the financial report, presents fairly the financial transactions during the period ended 30 June 2010 and the financial position of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria at 30 June 2010.

We are not aware of any circumstance which would render any particulars included in the financial report to be misleading or inaccurate.

We authorise the attached financial report for issue on 20 August 2010.



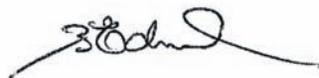
Richard Guy OAM
Chair

Shepparton, Victoria
20 August 2010



Murray Smith
Chief Executive Officer

Shepparton, Victoria
20 August 2010



Betty Edwards
Executive Manager Finance & Business
Services

Shepparton, Victoria
20 August 2010

INDEPENDENT AUDITOR'S REPORT

To the Board Members, State Owned Enterprise for Irrigation Modernisation in Northern Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of State Owned Enterprise for Irrigation Modernisation in Northern Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of State Owned Enterprise for Irrigation Modernisation in Northern Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Member, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of State Owned Enterprise for Irrigation Modernisation in Northern Victoria for the year ended 30 June 2010. The Board Members of State Owned Enterprise for Irrigation Modernisation in Northern Victoria are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the State Owned Enterprise for Irrigation Modernisation in Northern Victoria website.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of State Owned Enterprise for Irrigation Modernisation in Northern Victoria as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
23 August 2010

for 
D D R Pearson
Auditor-General

Disclosure Index

NVIRP is audited by the Victorian Auditor General's Office of Level 24, 35 Collins Street, Melbourne, Victoria 3000.

NVIRP's 2009-10 Annual Report has been prepared in accordance with all relevant Victorian legislation. The following index has been prepared to facilitate identification of NVIRP's compliance with statutory disclosure requirements.

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Glossary

Allocation or water allocation: is water for use in a particular irrigation season depending on how much is available in storage. For example, if a seasonal water allocation during a drought was 50 per cent, an entitlement holder with a 100 ML high-reliability water share would be allocated 50 ML of water for use.

Automated outlet: is an outlet that will open and close without any manual operation at the site. The landowner places an order with Goulburn-Murray Water, which is then relayed via radio link. The automation can also regulate the flow during each irrigation. The electronic motors at the site, which open and close the outlet, are powered by a battery and solar panel.

Automation (channel): is a system of remotely controlled regulators and gates linked to a computerised system. The computerised system automates the ordering, delivery and measurement of supply in irrigation channels. This automation may include customer service points.

Backbone: is a large capacity water supply channel (carriers and trunks). The backbone will form the nucleus of a modernised and automated water supply system to efficiently transport large volumes of water to customer service points.

Channel: an open channel or flume is constructed to convey water from an upstream water source to farms.

Connections: are either public or private, piped or open channels that allow individual properties, or a cluster of properties, to receive their water from the backbone.

Delivery share: is the right to have water delivered by Goulburn-Murray Water and a share of the available flow in a delivery system. Delivery share may be transferred to other landowners supplied from the same channel or to channel systems where capacity is available or relinquished through a termination payment being made to the water corporation. Farmers are encouraged to transfer delivery share to the backbone to secure access to the modern system.

Dethridge meter outlet or wheel: is the positive displacement flow measurement device used to determine water volumes supplied from a supply channel to an individual farm. The meter is available in several sizes. Dethridge wheels are being replaced as part of the modernisation process.

Distribution losses: are water losses that

occur from distributing irrigation water. Causes of these losses include evaporation, seepage, metering error and leaks in irrigation infrastructure.

Electronic flow meter (or magnetic flow meter): is a flow meter that operates with a pipe and control gate, as a measurement and delivery device for irrigation water. It allows a high flow of water from the supply channel to the farm channel, with less head loss than a Dethridge wheel. This meter can be manual or automatic.

FlumeGate™: is a delivery and measurement flow meter and control gate for irrigation water. It allows a high flow of water from the supply channel to the farm channel, with less head loss than a Dethridge wheel. This meter can be manual or automatic.

Gigalitre (GL): is one billion litres or 1 000 megalitres.

GMID: Goulburn Murray Irrigation District, the water supply system operated by Goulburn-Murray Water.

Irrigation area: is a defined part of the Goulburn Murray Irrigation District which comprises six irrigation areas e.g. Central Goulburn Irrigation Area.

Leakage: is loss of water through the banks of a channel (and around service points) via macro-pores.

Long-term Cap Equivalent (LTCE): the volume registered for a particular recovery work or measure calculated using the accepted best practice Cap computer model for that system as the long-term average contribution to the Cap or potential contribution to long-term average flows in the relevant river valley.

Magnetic flow meter: see electronic flow meter.

Megalitre (ML): one ML is equivalent to 100 mm of water over a hectare or about one Olympic size swimming pool or 1 000 000 litres.

Ordering time: is the time between ordering water from the water provider and delivery to a customer.

Rationalisation: is the removal or decommissioning of redundant assets, including meters and sections of channel.

Reconfiguration: is changing the farm irrigation system layout as a result of the modernisation process.

Glossary & Acronyms

Remediation: is lining water supply channel bed and banks or rebuilding channel banks to reduce water losses. Impermeable membranes or compacted clay may be used to line channels. Remediation is a water savings intervention.

Seepage: is water lost through micro-pores in channel beds and banks in earthen channel systems.

Service point: is the point on the public water supply system that a customer receives water, usually through a meter. A service point may also be known as a meter, wheel or outlet.

Spur channel: is a channel downstream of the backbone.

Standard of service: the nominated level of service is a quantification of flow rate, flow rate consistency, command, water ordering time, water delivery period, reliability and water delivery season length.

Supply level: is defined for each channel pool and is the minimum water level in each pool under no flow conditions.

Supply point (farm offtake, outlet or service point): is the point of delivery from an irrigation corporation supply system to an individual farm. A supply point from a channel system usually comprises a small-gated regulator or pipe outlet, which may incorporate a measurement device (meter).

Unbundling: unbundling separates the existing water entitlements into a water share and delivery share:

- water share - high reliability and low reliability where irrigators previously had access to sales water
- delivery share, or extraction share for regulated diversion licences
- water use licence, or registration for non-irrigators.

Water right: rights or entitlements to water held by irrigators in an irrigation district. Now generally referred to as water share (see below).

Water savings measure or intervention: is an action taken to generate water savings. For example, channel remediation.

Water share: is a legally recognised, secure share of the water, in storage or yielded in the catchment, available for use in a water system. The entitlement volume can be traded temporarily or permanently. A high

reliability water share has been converted from existing water right or diversion licence volume (e.g. 100 ML of water right becomes 100 ML of high-reliability water share). Seasonal allocations will depend on how much water is available in storage. If a seasonal water allocation during a drought was only 50 per cent, an entitlement holder with a 100 ML high-reliability water share would be allocated 50 ML of water for use. A low reliability water share is the share of the low reliability pool.

Acronyms

CEMF Construction Environmental Management Framework
DEWHA Department of the Environment, Water, Heritage and the Arts
DPI Department of Primary Industries
DSE Department of Sustainability & Environment
EES Environmental Effects Statement
EMP Environmental Management Plan
EMS Environmental Management System
EPBC *Environment Protection and Biodiversity Conservation Act 1999*
ERP Expert Review Panel
EWP Environmental Watering Plan
GB CMA Goulburn Broken Catchment Management Authority
G-MW Goulburn-Murray Water
GMID Goulburn Murray Irrigation District
MNES Matters of National Environmental Significance
MVIA Murray Valley Irrigation Area
NCCMA North Central Catchment Management Authority
NVIRP Northern Victoria Irrigation Renewal Project
PER Public Environment Report
TIA Torrumbary Irrigation Area
TRAMS Torrumbary Reconfiguration and Asset Modernisation Strategy
YYNAC Yorta Yorta Nation Aboriginal Corporation

Notes

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waterforgrowth

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